# Cordingley's Guide

to the

# Stock Exchange

2/- NET

# CORDINGLEY'S GUIDE

TO THE

# STOCK EXCHANGE.

BEING AN EXPLANATION OF

EVERY MODE OF SPECULATING IN STOCKS AND SHARES, AND ILLUSTRATING THE MANNER IN WHICH TRANSACTIONS ARE CARRIED OUT.

By

W. G. CORDINGLEY,

*Author of "Cordingley's Dictionary of Stock Exchange Terms."*



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CORDINGLEY'S

Dictionary of

# STOCK EXCHANGE TERMS.



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# PREFACE TO THE SECOND EDITION.

THE First Edition of this work having been exhausted, a Second Edition has been called for, but as the changes have been so slight (see the two following paragraphs) as not to warrant a Revised Edition, the author has not found it necessary to re-write the book.

## STOCK EXCHANGE SETTLEMENTS.

Since the First Edition was issued, the Stock Exchange, to facilitate the necessary work attached to carrying over, have arranged that the Settlement of Mining and other Shares shall occupy four days instead of three, as formerly; but this refers solely to the "House," and scarcely concerns the outside public, for whom this work was specially written.

## INVESTMENTS BY TRUSTEES.

The Trustee Act of 1893 re-enacted the provisions of the Trust Investment Act of 1889, and added the two Annuities (C and D) of the East Indian Railway; and since then the Colonial Stock Act of 1900 allows investments in certain

Colonial Stocks, those first on the list being Canada and New Zealand Inscribed Stocks. The Stocks of the other Colonies will be allowed as soon as they have conformed to certain provisions which were published in the *London Gazette* in December, 1900.

The slang Terms and Phrases, and the Contractions used in the Stock Exchange, are now so voluminous that the author has preferred to write a separate book upon them, rather than increase the size of the present work, and the reader is referred to

"CORDINGLEY'S DICTIONARY OF STOCK EXCHANGE TERMS"

for a complete List of the Terms, Phrases, and Contractions now so extensively used in the "House."

The Copyright of the book having been taken over by Mr. EFFINGHAM WILSON, the author trusts that the work will continue to merit the public confidence and approval so extensively enjoyed by the former large Edition.

W. G. CORDINGLEY.

*London*, 1 *January*, 1901.

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# CORDINGLEY'S GUIDE

TO THE

# STOCK EXCHANGE.

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## CHAPTER I.

*The London Stock Exchange—When Founded—Its Shareholders—Its Members—How Elected—How Governed—Subscription and Entrance Fee—Brokers—Sworn Brokers—Jobbers—Authorised Clerks—Unauthorised Clerks—The Markets—Hours of Business—Members not Allowed to Advertise—Only Dealings between Members are Recognised—Defaulting Members are "Hammered"—Lame Duck—Stock Exchange Holidays.*

(1) THE LONDON STOCK EXCHANGE is a private institution devoted exclusively to dealings in Stocks and Shares. It was founded towards the close of the seventeenth century, and is situated in Capel-court, Barthclomew-lane, in the immediate vicinity of the Bank of England and the

Royal Exchange. There are also entrances in Throgmorton-street and Old Broad-street.

(2) The building belongs to a proprietary of shareholders, and is managed by an executive body of nine persons, who, in addition to having the entire control over the income and expenditure of the concern, have the power of fixing at will the entrance fee and the annual subscription to be paid by members of the Exchange; but they have no power over the business transacted in the "House." The shareholders have no right beyond a claim for dividend; that is, they are not privileged to enter the Exchange, nor are they eligible for admission as members thereof, except through the ordinary course prescribed for a stranger.

(3) The members or subscribers are in reality the tenants of the shareholders, bound, as amongst themselves, by their own rules, and managed by a Committee, from whose decision there is no appeal.

(4) The members at the present time number about 3,000; they are elected by ballot, and pay a large entrance fee (it is now 500 guineas), as well as a yearly subscription of 30 guineas (members elected before 1878 pay only 20 guineas), in

addition to which they must be re-elected every Lady-Day.

(5) The Exchange is governed, for the regulation of its affairs, by a Committee of thirty members, officially called the "Committee for General Purposes," who are elected annually, by ballot, from the general body of subscribers, and in them are vested strong and salutary powers for the guidance of the market. They hold office from the 25th March in each year, and are eligible for re-election so long as they continue to be members of the Exchange. Candidates for election to the Committee must be members of five years' standing.

(6) Before any person is permitted to become a member of the Stock Exchange, he must be of age, and, previous to being balloted for, be recommended by three existing members of not less than four years' standing, each of whom must engage to pay £500 to the creditors of the applicant, in case the latter shall be declared a defaulter within four years from the date of his admission. The Committee also make searching enquiries respecting the applicant's general character and credit, noting, at the same time, his standing in society; and so stringent are the

rules by which the institution is governed that no person is admitted who has been a bankrupt, or insolvent, unless he has paid twenty shillings in the £ and obtained a full discharge.

(7) A clerk to a member is eligible for membership after he has been in the "House" four years, and two recommenders only are required, who must each enter into a bond for £300, unless, previous to his employment in the Exchange, the applicant has been a Principal in any business, when three sureties for £500 each are required, the entrance fee being 150 guineas, and the yearly subscription 30 guineas.

(8) The members consist, ostensibly, of brokers and jobbers; but there are a few who are mere speculators—capitalists who have previously been either brokers or jobbers, but who, not desiring to continue in actual business, simply confine themselves to finding employment for their own capital. There are also admitted into the "House" the Authorised Clerks and Unauthorised Clerks of members.

(9) *Stockbrokers* are the *middlemen* between the jobbers and the public; they conduct the negotiations between buyer and seller, and *every transaction* in Stocks and Shares *must be made*

*through them*, the general public being personally excluded from the "House." Brokers are not supposed to deal on their own account, being dependent for their profit upon the commission they obtain from their clients, to whom, as a guarantee of good faith that they are really acting as agents in a transaction, they should give up the names of the jobbers they are dealing with. A broker's duty is to see that all bargains are made at fair prices for his clients, to ascertain that transfers are properly registered for them, and to take care that only valid documents are passed from seller to buyer.

(10) *Sworn Brokers.*—Formerly stockbrokers were licensed by the City authorities as fit and proper persons to act as agents for the transfer of Stocks and Shares, after having taken oath and entered into a bond for the due fulfilment of their duties. They were known as Sworn Brokers; but the process of swearing in is now abandoned.

(11) *Stock jobbers* are the Stock *dealers*, who carry on business with the public and with other jobbers through the medium of stockbrokers. They are the Stock *merchants*, so to speak, and they constitute the market, the price at which

they offer to transact business in any security being called its *market price*. Most jobbers restrict their operations to some particular market or Stock, confining their time and attention solely to it, and within reasonable limits they are at all times ready to buy or sell in any quantity.

(12) A jobber is, throughout the day, constantly upon the Exchange, but although standing in the market for the ostensible purpose of transacting business, he is, of course, in no way bound to do so ; still, when he wishes to retain the connection of a broker, he seldom or never refuses to give a quotation. Having once *made a price*, however, he is bound by the rules of the Exchange to deal at it. When a quotation is asked for a named amount, the prices are binding upon the jobber as to the whole or any part that may be a marketable quantity ; but when no amount is named, the quotation is only binding to the extent of £1,000 Stock, ten Shares if in value under £500, or a number not exceeding that sum in value.

(13) *Authorised Clerks.*—After a person has been admitted into the "House" as a *clerk to a member* for two years, he may, if over twenty years of age, be made an authorised clerk—that

is to say, with the Committee's approval, he is authorised to transact business for a member, the entrance fee being 50 guineas, and the yearly subscription 30 guineas.

(14) *Unauthorised Clerks* are clerks who are not allowed to deal for a principal, but simply attend on a member by way of checking bargains, passing names, &c. They must be over seventeen years of age, and obtain permission from the Committee before admission. The entrance fee is 10 guineas, and the yearly subscription 12 guineas.

(15) *The Markets.*—The Stock Exchange is divided into several parts, or "markets" as they are called, certain places being set apart for some particular business or stock. Thus, there is the American market, the Consol market, the Railway market, the Foreign market, the Mining market, and so on. By this means, business is greatly facilitated, for brokers know exactly what part of the "House" to go to when wishing to deal in any security; and, further, most jobbers have a particular place in the markets they deal in and may usually be found standing there during business hours.

(16) The official hours of business are

from 11 till 3—on Saturdays 11 till 1; but the "House" is not actually closed until 4 and 2 respectively.

(17) Members of the Stock Exchange are not allowed to advertise for business purposes, or to issue circulars to persons other than their own principals. Brokers and dealers who advertise are not under the control of the Stock Exchange Committee.

(18) It should be understood that the Committee do not recognise any dealings made with the public, but only those transactions which are made between members of the "House." Nevertheless, should any question arise between a broker and his client, the Committee will, upon a proper application being made to them, enter into and decide upon a case, and an impartial hearing and decision may be relied upon. Before consenting to arbitrate, however, the Committee usually require the non-member to sign an Agreement that he will be bound by their Award, and that he undertakes not to institute any proceedings, either civil or criminal, in respect of the case submitted to them.

(19) Sometimes a member is expelled from the Exchange through being unable to fulfil his en-

gagements. To make this publicly known among the other members, the head "waiter" strikes three blows with a mallet upon a rostrum of the "House," and announces the member's default. A defaulter is thus said to be "Hammered," and his name is immediately posted on a board devoted to the purpose of showing those members who have been expelled from the Exchange through failing to meet their engagements. A defaulter who has been "Hammered" is called by his fellow members a "Lame Duck."

(20) The Stock Exchange Holidays are :—

| | |
|---|---|
| 1st January, | Whit Monday, |
| Easter Monday, | First Monday in August, |
| 1st May, | 1st November, |

26th December,

unless specially ordered otherwise by the Committee. When either the 1st January, 1st May, 1st November, or the 25th December falls on a Sunday, the "House" is closed on the day following.

## CHAPTER II.

*Reference Required before Dealing—How Orders should be given—Abbreviations used—American Railway Shares—How Prices are Transposed—Brokers' Contract Notes—Commission—How Charged—How business is transacted—Quotations—The Turn of the Market—Marking Bargains—Closing Prices—The Tape—How to Check a Bargain—The Official List.*

(21) Before opening an account with any new client, stockbrokers, like most other business men, usually require a personal introduction, or a banker's or other reference, so that they may know the standing or credit of the party they are about to deal with; and, to avoid disappointment, persons desirous of opening an account with a member of the "House" should always be prepared to give him a satisfactory reference.

(22) A broker having agreed to undertake a transaction, the next care should be that he fully understands what instructions his client wishes him to carry out. For this reason, and for the safety of all concerned, *every order* for the pur-

chase or sale of any security *should be given in writing*, and be worded in such a manner as to clearly indicate exactly what is required. A request to buy £1,000 *worth* of Brighton "A" Stock, for instance, would not be the correct way of wording an order, as it would mean the quantity obtainable for £1,000, which, at the price of 140, would mean 7⅕th shares—quite an unmarketable amount; whereas, "Please buy for me £1,000 Brighton A's" would always be interpreted as the nominal value, and at 140 would amount to £1,400, it being understood amongst all brokers that where orders are given to buy or sell a named quantity of stock, the nominal or face value, and not the actual market price, is meant.

(23) In practice, orders for Stocks are usually abbreviated, each £1,000 nominal value being counted as one. Thus, "½ Brighton A" signifies £500 Brighton "A" Stock; "1 Great Eastern," £1,000 Great Eastern Stock; "5 Great Western," £5,000 Great Western Stock; "10 North Western," £10,000 North Western Stock, and so on.

(24) Most of the American Railways' securities are in shares of $100 each, and, to facilitate

dealings on this side of the water, $5 are usually reckoned as £1. Thus:—

| | | | | | |
|---|---|---|---|---|---|
| 25 | Eries | = | £500 | Erie | Shares. |
| 50 | " | = | 1,000 | " | " |
| 100 | " | = | 2,000 | " | " |
| 200 | " | = | 4,000 | " | " |
| 250 | " | = | 5,000 | " | " |
| 500 | " | = | 10,000 | " | " |
| 1,000 | " | = | 20,000 | " | " |

This transposition simplifies matters, and enables both profits and commissions being easily calculated.

(25) Having given the broker an order, the next important point is to see that it has been properly executed. Now, it will be seen from the previous chapter that the jobber is the *Principal*, and the broker merely an *Agent* in Stock Exchange transactions; and, therefore, after an order has been given out, care should be taken to have Contract Notes from the broker showing the jobber's name with whom the bargain has been effected. A broker is bound by the rules of the Exchange to give this information, and when he neglects to do so he is personally responsible for the fulfilment of a contract; whereas, if he declare his principal's

name, he is not liable to his clients in the event of the jobber's failure.

(26) A Contract Note for the purchase or sale of any security should be stamped with the *ad valorem* duty—under £100, one penny; £100 or over, 1s.; if carrying-over contracts, double these amounts—and should show the name of the security, bought (or sold), the amount, price, the charges incurred upon the transaction—such as commission, cost of stamp duty and transfer fees—and the name of the jobber with whom the bargain has been transacted.

(27) As to a broker's commission for executing an order, there is no fixed scale of charges recognised by the Stock Exchange Committee; but competition has compelled almost all brokers to adopt a uniform scale. It should be noted, however, that when Stocks or Shares are sold, and the proceeds immediately re-invested in some other security, it is usual to charge brokerage on one transaction only.

(28) Commission on Stocks is generally a percentage on the *nominal* or face value, but it is sometimes charged on the market price; while commission on Shares is always a charge of so much per share.

(29) Of course special contracts may be made, or a fee in a lump sum agreed upon ; but in the absence of any agreement to the contrary, the following are the usual commission charges made by brokers for completing the purchase or sale of any security :—

| | |
|---|---|
| British and Foreign Funds ... | 2/6 per cent. |
| Exchequer Bills ... ... | 1/- ,, |
| Colonial Government Stock and Railway Bonds ... | 5/- ,, |
| Shares under £1 ... ... | 3d. per share |
| £1 and under £2 10s. ... | 6d. ,, |
| £2 10s. and under £5 ... | 1/- ,, |
| £5 and under £10 ... ... | 1/6 ,, |
| £10 and under £25 ... ... | 2/- ,, |
| £25 and under £50 ... ... | 5/- ,, |
| £50 and upwards ... ... | 10/- per cent. |
| Stock under £50 ... | $\frac{1}{4}$ per cent. |

(30) The peculiar custom which distinguishes dealings on the Stock Exchange is, that a jobber, when asked to give a quotation, must always name *two* prices—one his buying and one his selling price. At the smaller he will buy, at the greater he will sell. When challenged to deal, he does not know, nor has he any right to ask, whether the broker is a buyer or a seller, and

consequently from this somewhat "blind" mode of dealing he is forced to make a proper quotation; for, as previously explained, when once a jobber has *made* a price, he is bound to accept any bargain up to £1,000 Stock, if no quantity is previously named, provided his price is immediately accepted. (See par. 12.)

(31) We will illustrate the manner in which business is transacted by supposing that a broker had an order to sell for a client £1,000 Brighton "A" Stock. The broker would go on 'Change to the Home Railway "market," and having found a jobber who deals in the Stock, would say to him, "What is the price of Brighton A's?" The jobber would answer "160 to 160½." Thereupon the broker would say, "I sell you a 1,000 at 160." Had the broker's order been to buy, he would have replied, "I buy of you 1,000 at 160½," and, according to the rules of the Exchange, either of these bargains the jobber would be bound to accept. Of course, jobbers may refuse to make a price, but for the sake of keeping their connection together they seldom or never refuse to give a quotation when asked by a broker to do so.

(32) It should here be noticed that quotations

are usually made in £ and fractions of a £, rising by $\frac{1}{16}$th or more, and therefore the following table may be usefully employed when calculating the actual prices of Stocks quoted in fractions :—

| | | | s | d. |
|---|---|---|---|---|
| $\frac{1}{16}$ of £ | | = | 1 | 3 |
| $\frac{1}{8}$ | " | = | 2 | 6 |
| $\frac{3}{16}$ | " | = | 3 | 9 |
| $\frac{1}{4}$ | " | = | 5 | 0 |
| $\frac{5}{16}$ | " | = | 6 | 3 |
| $\frac{3}{8}$ | " | = | 7 | 6 |
| $\frac{7}{16}$ | " | = | 8 | 9 |
| $\frac{1}{2}$ | " | = | 10 | 0 |
| $\frac{9}{16}$ | " | = | 11 | 3 |
| $\frac{5}{8}$ | " | = | 12 | 6 |
| $\frac{11}{16}$ | " | = | 13 | 9 |
| $\frac{3}{4}$ | " | = | 15 | 0 |
| $\frac{13}{16}$ | " | = | 16 | 3 |
| $\frac{7}{8}$ | " | = | 17 | 6 |
| $\frac{15}{16}$ | " | = | 18 | 9 |

(33) The difference between a jobber's buying and selling prices is called the jobber's "turn," or the "turn of the market," and to it the jobber is supposed to look for his profit, buying of one broker and selling to another. The "turn" varies from $\frac{1}{8}$ per cent. to 1 per cent., or even higher,

according to the market. In a free market, where securities are constantly dealt in, the margin will be small; while in a limited market, where dealings are small and less frequent, the "turn" will be proportionately larger. Thus, upon every transaction a client has not only to pay a broker's commission, but he has also to contribute towards the jobber's "turn."

(34) *Marking*.—After a bargain has been effected, if between the hours of eleven and three, it is usual for members to record the transaction by inserting on a ticket the business they have done. These tickets are placed in a box kept for the purpose, and from them the official "marking" of "business done" is made up.

(35) *Closing Prices* are those transactions which have taken place between the hours of three and four (after the official "marking" is closed), and are collected haphazard from all sources.

(36) Some business, too, is usually effected outside the Exchange, after the doors are closed; this is quoted in the newspapers as "In the Street," or "Street Prices."

(37) *The Tape*.—Fluctuations in the prices of securities, and the exact hour and minute at

which each alteration takes place, are recorded on the "tape" of the Exchange Telegraph Company's instruments. These are the quotations which are familiarly known as "Tape Prices." They are collected in this way: the Exchange Company has several assistants in the "House," who, during business hours, are continually asking quotations from jobber to jobber and notifying any variation in their prices. As soon as an alteration takes place, the assistants at once report it to the central station, from whence, by an ingenious mechanical contrivance, it is simultaneously transmitted to and recorded on the tape of the instruments of all subscribers. Almost every broker has one or more of these instruments fitted up in his offices, so that clients may see the fluctuations in prices, and the exact time that each alteration takes place. The carrying-over rates are also quoted in this way.

(38) *Checking a Bargain.*—It is, therefore, by means of the "tape" that operators are able to check the prices and carrying-over rates charged them by their brokers, and so long as they are "on the spot" no difficulty will be found in checking a bargain in this way. But speculators living at a distance, or those unable to see the

"tape" for themselves, must, of necessity, trust to their daily newspapers to give them the information required, and it is important that they should know which source to draw from. Now all the daily papers give a report of Stocks and Shares, and make up a list of current prices ; but it often happens that not two of them will agree as to the actual ruling prices at the close of the day's market. The reason of this is that some newspapers obtain their quotations from the tape, and some from the Official List, while others employ jobbers to report each day's fluctuations. Of those which report from the tape, one will give the opening price, another the 1 p.m. price, a third the 3 p.m. price, while a fourth will name the closing price. Those operators, therefore, who are compelled to check their bargains from the newspapers may be interested to know that among evening papers, the Special Edition of *The Evening Standard*, or *Globe*, and among morning papers, *The Financial News*, and *Financial Times* are considered reliable sources of information, as these papers reprint an exact copy of the quotations from the tape each day, and therefore show the exact hour and minute at which each fluctuation takes place.

(39) *The Official List.*—There is also the "London Daily Stock and Share List," published by subscription under the authority of the Stock Exchange Committee; but as this only gives one price, with a list of "business done," without stating whether the Stock was bought or sold, or showing when each fluctuation took place, it can scarcely be recommended to persons who desire to check the prices charged them on their transactions. Further, only the securities of those companies which the Committee consider are of sufficient magnitude and importance are, except under special circumstances, ordered to be quoted in the Official List, whereas the "tape" and the newspapers referred to give the current prices of almost all the securities dealt in, whether quoted in the Official List or not.

## CHAPTER III.

*The Different Modes of Dealing—For Money—For the Account—Time Bargains—Bulls—Bears—Options—Advantages of—How dealt in—Call—Put—Put and Call—Call of More—Put of More—How to Regain Option Money—Cover—When Returned—When the Margin is Reached—How to Save a Portion of Cover—When to Tender a Wide Margin—Cover and Carrying-over Rates.*

(40) THERE are several ways of dealing on the Stock Exchange; the ordinary methods are either "for Money" or "for the Account."

(41) *Dealings for Money* means that the transactions are actually paid for at the time they are made; *i.e.*, the purchase is for ready money, and, consequently, such bargains are usually cheaper in price than those made "for the Account." Occasionally, however, it happens that the quotation for Money is *higher* than for the Account, when there is said to be a "Backwardation" in the forward price. Thus, if Consols were quoted "Money $98\frac{1}{8}$" and "Account 98," there would be a "backwarda-

tion" (or "back," as it is usually called) of $\frac{1}{8}$th in the account price.

(42) *Dealings for the Account* means that the transactions will be taken up and paid for, or "differenced," on the next half-monthly Settling Day following the date of purchase; and such transactions are frequently called "Time Bargains," from the fact that a longer or shorter time must elapse from the time they are made to the day they are closed, and between that time the price of the security operated in may materially alter, either against the speculator, or in his favour. An operator for the Account may close his bargains at any time before the Settlement; he is thus enabled to take advantage of the slightest variation in his favour, and, owing to the sudden and violent fluctuations caused by some momentary influence upon certain classes of stocks, it is often possible to close a transaction at a profit a few minutes after the bargain has been opened.

(43) The price of securities bought "for the Account" is nearly always *higher* than that paid "for Money," and when this is the case there is said to be a "Contango" in the forward price. For instance, if Consols were quoted "Money

98 " and " Account $98\frac{1}{8}$," there would be a "contango" of $\frac{1}{8}$th in the Account price.

(44) By far the greater part of the dealings in "time bargains" are of a purely speculative character, made by persons who are unable or unwilling to pay for the securities they contract to purchase, or who do not possess the stocks they agree to sell, the anticipation of such parties being that they will be able to buy or sell again at a profit before the Settlement arrives. Speculators of this class are called "Bulls" and "Bears." We will describe them separately.

(45) A "*Bull*" is a speculator who *buys* securities in the expectation of being able to sell them at a higher price before the next Settlement. Generally speaking, a "bull" never intends to *take up* and pay for his Stock at the Settlement, but he contracts to buy it hoping that before the delivery date arrives he will be able to sell to another party at a higher price than he has undertaken to buy at, and so make a profit on the transaction. If a profit is made, he simply claims the *difference* between his buying and selling prices, never handling the securities at all. Should, however, the price go *down* by "Contango Day," such speculators either

have to sell their bargains at market price, and pay the difference necessary to balance the account, or, if they do not wish to actually close up and abandon their holding, they may, by arrangement, "carry over" to the next Account, as explained in the following chapter, still hoping that the transaction will turn out profitable. A "*Bull*," therefore, is one who *buys for a rise* in price. (See also par. 56.)

(46) A "*Bear*" is just the reverse of a "Bull"; he *sells for a fall* in price. To illustrate a "bear" transaction, let us suppose that a speculator has reason to believe that Great Westerns will fall in price before the next Settlement, and that, acting on his belief, he sells for the Account, say, £1,000 Great Western Stock at 165, or for £1,650. He does not possess the stock, but if the price by "Contango Day" falls to, say, 162¾–163, he could purchase £1,000 for £1,630, thus fulfilling his contract and gaining £20 on the bargain, less his broker's commission, &c., neither delivering the stock nor receiving it, but simply claiming the difference between the buying and selling prices. On the other hand, should the price rise to, say, 166¾–167, there would be a loss of £20 on the deal (as the Stock

could then only be bought for £1,670), which the speculator would have to pay, in addition to the broker's commission. Or he might elect to "carry over" his bargain to the next Settlement, still hoping that the price would fall sufficiently low to enable him to close the transaction at a profit. (See also par. 53.)

(47) *Options.*—Besides the ordinary modes of dealing, as already described, extensive transactions are now carried on by means of "options." This is a favourite way of operating by persons who wish to *limit their liability* when speculating for a rise or fall in price; besides which, "options" are extensively used by speculators to protect their "bulls" and "bears."

(48) An "Option" may be described as a mode of speculating by which a person *pays down* so much per cent. (or so much per share) for the *option* to buy or sell a named quantity of Stock (or so many Shares), at a fixed price, on a certain day. The option to *buy* is termed a "*Call*"; the option to *sell*, a "*Put*"; and the double option to *buy or sell*, a "*Put and Call.*" The "*Call of More*" means the right to *buy* a *stated amount* with the *option* of doubling the quantity; the "*Put of More*" means the right to *sell* a *stated*

*amount* with the *option* of doubling the quan tity.

(49) The advantage offered by this system is, that the profit may be unlimited, while the possible loss is fixed at the amount paid for the option. It should be noted, however, that, unlike "*Cover*," the *amount* paid for an option *is not returnable* in any case, whether a transaction end profitably or not, as "option money" is really a premium paid to the dealer for taking the risk of the market going against him.

(50) All options carry with them the privilege of being able to close at any moment before the contract time expires; and they may be made from day to day, for one, two, three or more Accounts, or for a certain specified date, the option price varying according to the securities operated in, and the length of time for which the option is to run. With Stocks liable to sudden or violent fluctuations, the option price will, of course, be dearer than for securities less liable to rise or fall.

(51) Options for the Account invariably terminate at 11.45 a.m. on "Contango" or "Making-up" day (day-to-day options at 2.45 p.m.), and an operator must give his broker written notice before that time if he intend to take up or deliver

his stock under an option, as, if no notice be given by the time named, the option will lapse, and the contract become void. We will now describe the various options, and show the manner of dealing in them.

(52) *Call Option.*—A speculator seeing indications that a certain stock will go higher in price before the next Settlement, but at the same time wishing to limit his liability to a fixed sum, in case the price should go against him, will arrange with his broker to *pay down* so much per cent. for the "call" of a stated amount of such stock, at a fixed price, on a certain day. Should a rise take place, which, over and above his outlay, would show the operator a profit, he would immediately sell the stock at the higher price, and "call" it (that is, demand its delivery) from his broker at the lower one. Inversely, should the stock, contrary to his expectation, fall in price, he would not "declare the option"—that is, he would not "call" the stock—but would abandon the operation by letting the option lapse, and he would then only lose the amount which he paid for the "call." A "Call" is, therefore, practically a "bull" transaction with a limited liability as to the possible amount of loss.

(53) If after buying the "call," there are indications of the stock going down in price, it is sometimes advisable to sell a "bear" against it; for should the price fall away, a profit can be made by closing the "bear," while if the price moves upwards, the "call" will still be available. Indeed, stocks will, at times, rise and fall so rapidly, that it is often possible to make both transactions turn out profitable.

(54) *Put Option.* — A "Put" is just the reverse of a "Call"; it is the option to *sell* a stated amount of stock, at a fixed price, on a certain day. A "put" would be bought by an operator who has private information or sees indications which lead him to believe that a certain stock will shortly be *lower* in price. Should a fall occur sufficient to more than cover the "option money," he would *buy* the stock at the lower price, and "put" it (deliver it) to his broker at the higher one, the difference between the two prices being the speculator's profit, minus the premium paid for the "put." If, however, the stock rose in price, the operator would not "put" it, but would abandon the transaction by not giving notice that he would deliver, and thus only lose the "option money"

paid for the "put." Therefore, a "Put" is practically, a "bear" transaction with the risk limited to the amount of premium paid for the "put."

(55) After a speculator has bought a "put," circumstances may arise which point to the stock going up instead of down, and, to protect himself, the operator should open a "bull." If, then, a rise takes place, the "bull" can be sold at a profit; if a fall, the "put" may be exercised, while at times both the "put" and "bull" may be utilised, and a profit be secured on each of them.

(56) A "Put" is also frequently bought by "Bulls" who have a profit in hand and desire to make sure of it, though they do not wish to actually close the transaction, believing that the price will go still higher; so, to protect themselves, they purchase a "put" at their present profit, which is thereby secured to them. To make this quite clear, suppose a "bull" purchased £1,000 Stock at 140, and that the price rose to 150, with every prospect of going still higher, and he then bought the "put" of 1,000 at 150, the 10 points profit would be secured to him (less the amount paid for the "put") even

though the price fell away; while, if the price rose higher still, the "bull" would be available for the extra profit, and the "put" be abandoned.

(57) *Put and Call.*—This option usually costs about twice as much as a "put" or "call," and confers the double option of *either selling* (putting) *or buying* (calling) a fixed amount of stock, at an agreed price, on a certain day. Such options are mostly used for operating in those stocks and shares which are instantly affected by various influences, and are liable to *sudden* fluctuations, speculators being thus able to buy or sell according to which transaction will yield them a profit. The advantage of a "Put and Call" is, that, whichever way the price goes —whether up or down—if it move to any appreciable extent from the "option price," a profit is almost certain, and in many instances, by the aid of a "bull" or "bear," it can be made both ways under the one option. (See pars. 53 and 55.)

(58) *Call of More.*—This option conveys the right to buy a *stated amount* of stock at a fixed price on a certain day, with the *option* to call a similar amount at the same price. A contract

of this kind would be entered into by a speculator who, though he anticipated that a particular security would *rise* in price before the next Settlement, does not wish to speculate too largely, or engage his credit beyond a certain extent. He would therefore buy a *fixed amount* of such stock at a stated price, with the *option* to *double the quantity* should he desire to do so. Whether the price moved up or down, the operator would have to deal with the quantity he had actually bought, and, should the stock advance above the "option price," he would exercise his right and "call" a similar quantity; while should the price go down he would only take delivery or dispose of the amount purchased, and abandon the option for the further like amount by not "calling" it.

(59) *Put of More.*—This is exactly the reverse of a "Call of More," being the right to "put" (sell) a *certain amount* of stock, with the *option* of *doubling the quantity*, and would be entered into by parties expecting a *fall* in price.

(60) As previously stated, the amount paid for an option is not returned in any case, but in many instances it is possible to save at least a part, if not the whole of the "option money,"

even though a transaction may not turn out profitable. For instance, if an operator were charged 1s. a share for the "call" of 1,000 shares at 10s. each, he would pay down £50, and to make a *profit*, the shares would have to rise to over 11s. each. But should the price only go to say 10s. 6d.—11s. 6d. during the time the option was in force, the operator could sell the shares at 10s. 6d., and "call" them from his broker at 10s.; he would thus recover £25 on the transaction, and so save half his purchase money.

(61) Again, in the case of a "put," suppose 6d. a share were charged for the "Put" of 500 shares at 5s. each, the amount to be paid down would be £12 10s., and to give the speculator a profit he would have to purchase the shares at less than 4s. 6d. each. However, if the shares only fell to 4s. 4½d.—4s. 7½d., he could purchase 500 at the latter price, and "put" them to his broker at 5s., thus regaining 4½d. per share (or £9 7s. 6d.) out of his option money. And similarly with the compound options.

(62) A little careful thought on this subject will show a speculator how to lessen, or probably avoid, what at times seems *primâ facie* to be an inevitable loss, when dealing in options; and an

operator under this system finding it impossible to make a profit, should at once turn his attention to the regaining of his "option money."

(63) *Cover.*—Dealing on the "Cover" system is another favourite mode of speculating, on account of the facility it offers to persons of small means, or parties whose capital is temporarily locked up, or unavailable, to operate in Stocks and Shares with a *limited outlay*—thus placing speculation within the reach of all. It is but little dealt in by members of the Exchange, but is most extensively practised by outside brokers and dealers, and may be said to form the greater part of their business, its popularity being, no doubt, owing to the fact that an operator knows beforehand exactly what will be the extent of his loss, should a transaction turn out unfavourable. Further, by this system, persons having but a moderate income are almost placed on equal terms with the wealthy financiers and large market operators, as, by depositing a fixed sum of money they are able to deal in such large amounts of stock as, under the ordinary mode of speculating, would be too great for any but large capitalists to embark in ; while they have the satisfaction of knowing that they

cannot lose more than the amount deposited as "cover."

(64) *Cover* may be described as a deposit of so much per cent., or so much per share, given to a broker to limit a client's liability in some speculative transaction. It also serves as a safeguard to the broker, and insures him against loss, for should the margin of "cover" run off, he has the right to close the transaction at once. "Cover" is usually charged on the market value of securities, and on Stocks it may vary from one per cent. upwards, according to the nature of the security dealt in, though most outside brokers have fixed upon a uniform scale of one per cent. On Shares it is fixed at so much per share, according to market price. Sometimes marketable securities are deposited as "cover," but this is always a matter of arrangement.

(65) Operators on this system have the same right to close a bargain at any time during its currency, as with the other methods already described, and they are thus able to take advantage of any variation in their favour, no matter how small it may be, and re-call with it the full amount of "cover"; but the broker can only close the transaction (strictly speaking, it closes

itself) when the "cover" has actually "run off," or is exhausted. This occurs when the price of the security rises or falls the percentage charged as "cover."

(66) For example, if a speculator wished to sell a "bear" of £1,000 Great Westerns on a 1 per cent. "cover," the quotation being 140-140¼, he would deposit £10, and sell £1,000 Stock for £1,400 ; and if, instead of falling away, the price rose to 140¾-141, the "cover" would have "run off," and the transaction be closed, as the stock could not then be bought for less than £1,410, being £10 more than it was sold for, or just the amount of "cover" deposited. The stock might go still higher, but there would be no further liability to the operator.

(67) Again, suppose a speculator "bulled" £1,000 Great Western's, on a 1 per cent. "cover," the price being 142¾-143, he would deposit £10 and pay £1,430 for them ; if the stock rose to 144-144¼, he would realise £10, or 1 per cent., which amount he would receive *in addition* to the £10 "cover," this latter sum having been merely deposited with the broker to insure him against loss, should the price move in the adverse direction.

(68) With most outside brokers the "cover" runs off "at middle prices"; that is to say, the middle price between a jobber's buying and selling prices. Thus, if a quotation were $142\frac{3}{4}$-143, the middle price would be $142\frac{7}{8}$.

(69) As previously stated, when a transaction shows the operator a profit, the "cover" is returned to him; but if the price move against him, and the cover is exhausted, it is not returned. However, parties finding their deposit suddenly running off may close their bargains at any time before the cover is exhausted, and thus save any remaining balance in their favour, no matter how small it may be.

(70) The deposit may generally be increased, provided it is tendered before the margin is actually reached, but it is always safer, especially when dealing in stocks which fluctuate rapidly, or when there is a wide difference between the buying and selling prices, to deposit a sum sufficiently large to cover an adverse movement, rather than rely upon being able to revive a lapsing bargain by tendering additional "cover" at the last moment.

(71) When securities operated in on this system are carried over, it is usual, unless "Con-

tango" and "Backwardation" are arranged to be settled separately, to add or deduct the carrying-over rates from the cover, which is thereby increased or reduced by the amounts charged.

## CHAPTER IV.

*The Settlement—How Conducted—Contango Day—Ticket Day—Pay Day—When the Account Commences—Special Settlement—Carrying Over—Making-up Prices—How Fixed—Contango and Backwardation Rates Explained—Why these Rates are Charged.*

(72) THERE are two regular settlements in each month—one about the middle and the other at the end of the month—the exact dates being fixed by the Stock Exchange Committee. The adjusting of each fortnightly account lasts three days, and during that time *every transaction is closed*, either to be settled and paid for, "differenced," or "carried over" to the next Account. Some of the transactions are, of course, made simply for investment, to be taken up and paid for as soon as they are completed; but by far the larger part of the dealings made for the Account

are of a purely speculative nature, and it would be very inconvenient if operators were *forced* to close and abandon a bargain, whether a profit had been realised or not, and, therefore, if a speculator does not wish to have his transactions actually closed at the current Settlement, arrangements can generally be made to carry them over to the next Account, as explained below.

(73) The *first* day of the Settlement is called "Contango Day" or "Making-up Day," when brokers make arrangements with the jobbers to carry over bargains to the next Account. Every operator, therefore, who does not wish to close and abandon his transactions, after paying or receiving the difference upon them, must, before 11.15 a.m. on this day, make arrangements with his broker to carry over his dealings to the next account, otherwise the broker has the right to close a bargain at market price, and the speculator would then pay or receive the difference necessary to balance his account.

(74) The *second* day is called "Name Day" or "Ticket Day," as on this day a "ticket," bearing the purchaser's name of Registered Stocks and Shares is passed on by the broker who pur-

chased the securities to the jobber who sold them, so that a Transfer Deed may be prepared for entering the transfer in the books at the Company's office, or the Bank, where the securities are registered.

(75) The *third* day is called "Settling Day" or "Pay Day," when securities are taken up and paid for, or the "differences" paid and received.

(76) Each new Account begins at noon on the current "Contango Day," and ends on "Pay Day" of the next Account, so that all bargains entered into after mid-day on "Contango Day," unless specified for immediate settlement, are made for the new Account.

(77) In addition to the regular fortnightly Settlements, the Stock Exchange Committee, if they deem it necessary, fix *Special Settlements* for the Stocks and Shares of new Companies, Foreign Government Stocks and Bonds, and the new issues of Shares of existing Companies, by periodically appointing Special Settling Days, the mode of closing up the transactions being similar to that of the ordinary Settlement.

(78) All the Settlements, both special and ordinary, are regularly mentioned in the money articles of the daily newspapers.

(79) When securities are "carried over," that is, when they are transferred from one Account to another, they are not, as some would suppose, carried over at the price they were bought or sold at, but at a "making-up" price. This is a price fixed by the clerk of the "House" at noon on "Contango Day," and represents the *middle price* between the jobbers' buying and selling prices at that hour.

(80) A price is only fixed for those securities which have an Official quotation, and for carrying over stocks and shares which are not accorded a "making-up" price, a fair middle price of the day is usually taken.

(81) Now, seeing that all transactions for the Account are closed at the Settlement, it will be obvious that a speculator does not take up or deliver his stocks, as the case may be, but carries them over, the jobber, if they are not taken up, must hold the securities until they are re-sold, or, if they are not delivered, must purchase or borrow them elsewhere, and for this accommodation he makes small charges, called "Continuation Rates." These rates are always a percentage on the *nominal* value of Stocks, or, in the case of Shares, a charge of so much per share ; they are

fixed by the jobbers on the first day ("Contango Day") of the Settlement, the amounts being added to or deducted from the "making-up" price at which the securities are carried over, and whether they are high or low depends upon the business in the market, the state of the jobber's book, and the current value of money. The smaller the account the lower will be the rates charged; the larger the account the higher the rates charged.

(82) When a "bull" account is being carried over—that is, when there are more buyers than sellers carrying over—"Contango" is charged; and when a "bear" account—when there are more sellers than buyers carrying over—"Backwardation" is charged. Thus:—

"$\frac{1}{16}$ to $\frac{1}{8}$ Contango,"

means that the "bear" receives $\frac{1}{16}$ % from the jobber, while the "bull" pays $\frac{1}{8}$ %;

"$\frac{1}{16}$ to $\frac{1}{8}$ Back,"

that the "bull" receives $\frac{1}{16}$ % from the jobber, and the "bear" pays $\frac{1}{8}$ %;

"$\frac{1}{16}$ Contango to $\frac{1}{16}$ Back,"

that the "bull" pays $\frac{1}{16}$ %, and the "bear" pays $\frac{1}{16}$ %;

"$\frac{1}{16}$ Back to $\frac{1}{16}$ Contango,"

that the "bear" pays $\frac{1}{16}$ % and the "bull" pays $\frac{1}{16}$ %;

"At Even,"

that there is neither contango nor backwardation to pay;

"$\frac{1}{8}$ Contango to Even,"

that the "bull" pays $\frac{1}{8}$ %, while the "bear" carries over even;

"Even to $\frac{1}{8}$ Contango,"

that the "bear" carries over even, and the "bull" pays $\frac{1}{8}$ %;

"$\frac{1}{8}$ Back to Even,"

that the "bear" pays $\frac{1}{8}$ %, while the "bull" carries over even;

"Even to $\frac{1}{8}$ Back,"

that the "bull" carries over even, and the "bear" pays $\frac{1}{8}$ %.

(83) Why these rates are charged may, at first, appear somewhat a mystery, but if we remember that a jobber takes his "turn" on the Continuation Rates, and that carrying over is a matter of accommodation, for which a payment must be made, or a consideration given, the necessity for making these rates will be very apparent. But let us explain.

(84) If the "bulls" do not *take up* their stocks, but carry over, the jobber must hold the securities until they are re-sold; and as the amount of capital required to hold securities in this way must necessarily be very large, the jobber, in most cases, pledges the securities with his bankers, who of course require interest on the money advanced, so that the jobber must make a similar charge to the speculator he thus accommodates. Now, as the current rate of interest on money varies with the Bank Rate, "Contango" (outside of market manipulations) will generally be small when the Bank Rate is low, and large when the Bank Rate is high.

(85) Again, it may happen that both the "bull" and "bear" accounts in a jobber's book pretty evenly balance each other, and he will carry over at "even," or pay the "bears" $\frac{1}{8}$ per cent. for the loan of Stock, and charge the "bulls" $\frac{1}{4}$ per cent., or *vice versâ*, thus making a "turn" on the rates.

(86) Although it may generally be taken that a "bull" pays Contango and a "bear" Backwardation, no set rule can be laid down, for the many and varied influences affecting the Stock Market—the state of the account, the value of

money, &c., are really the factors which regulate the carrying-over rates, whether charged or allowed.

(87) As the carrying-over rates are sometimes as low as $\frac{1}{32}$, the following table may be found servicable.

| | | s. | d. |
|---|---|---|---|
| $\frac{1}{32}$ | = | 0 | $7\frac{1}{2}$ |
| $\frac{3}{32}$ | = | 1 | $10\frac{1}{2}$ |
| $\frac{5}{32}$ | = | 3 | $1\frac{1}{2}$ |
| $\frac{7}{32}$ | = | 4 | $4\frac{1}{2}$ |
| $\frac{9}{32}$ | = | 5 | $7\frac{1}{2}$ |
| $\frac{11}{32}$ | = | 6 | $10\frac{1}{2}$ |
| $\frac{13}{32}$ | = | 8 | $1\frac{1}{2}$ |
| $\frac{15}{32}$ | = | 9 | $4\frac{1}{2}$ |

(88) Sometimes a jobber refuses to carry over a security, in which case the broker should immediately give his client notice of the fact, so that he may make arrangements either to take up or sell the stock.

## CHAPTER V.

*How Stocks and Shares are Transferred—Bonds and Shares to Bearer—American Railway Shares—Registered Stocks and Shares—Transfers by Deed of Assignment—Consideration Money—How it may Differ from that Received by the Seller—Special Transfers—A Ticket—When it expires—Buying in—Selling out—Certified Transfers—Transfer Fees—Liability of a Transferor—Shut for Dividend—Blank Transfers—Why they are used—Inscribed Stock—Stock Receipt—How Dividends are paid—Power of Attorney—Where and in what amounts Inscribed Stocks are Transferred—The Clearing House.*

(89) THERE are three ways of transferring securities, which may be divided into Bonds and Shares to Bearer, Registered Stocks and Shares Transferable by Deed of Assignment, and Inscribed Stocks. The mode of procedure varies in each case, so we will describe them under their separate heads.

(90) *Bonds and Shares to Bearer* are transferred by simple delivery from hand to hand, like

Bank Notes. Foreign bonds carry a stated amount of interest on their nominal value ; they bear a distinguishing number, and have a sheet of coupons attached to them ; these latter are cut off and presented for payment to the agents of the respective Governments as the dividends fall due. In order to rank as a good delivery, all bonds to "bearer" must, according to the rules of the Stock Exchange, always have the current and following coupons attached to them, otherwise they are not negotiable, and would not be accepted by members of the "House." Bonds and shares to "bearer" must be delivered by 2.30 p.m. on Pay-day, or they can be bought in against the seller on the following or any subsequent day, all loss and expense so incurred being borne by him.

(91) Among securities to Bearer are classed American Railway Shares, the certificates for which usually have a blank Power of Attorney at the back, and, being endorsed in blank by the person or Bank to or by whom they were first issued, they practically become shares to bearer, and when passing from hand to hand, blank endorsed, with the current and following coupons attached, are always accepted as a good delivery. Each

certificate bears a distinguishing number, by which it can be identified.

(92) *Registered Stocks and Shares.*—By Registered Stocks and Shares is meant securities which, in addition to having a Certificate of Title, are registered in the holder's name, either at a Bank, or a Company's office where the securities were issued. They differ from Stocks and Bonds to "bearer" in having no coupon sheet attached, the dividends being payable by warrants, which are posted to the holder's address as they become due ; and also that they are not transferable, except by a legally stamped Transfer Deed, signed either by the owner of the securities, or his representative by Power of Attorney.

(93) The Shares in most Joint Stock Companies and actual Registered Stocks are, as stated above, transferred from one person to another by means of a Transfer Deed, which must be stamped with the *ad valorem* duty of 6d. for every £5 consideration money. This Transfer Deed must bear the signatures of both buyer and seller, and be witnessed in the usual way. In most cases the ordinary form, to be obtained from a stationer's, is used, and of which the following is a copy :—

Coupon for £ Stock forwarded to the Company's Office by

I

in consideration of the Sum of
paid by
hereinafter called the said Transferee ,
Do hereby bargain, sell, assign, and transfer to the said Transferee ,
of and in the undertaking called the
To hold unto the said Transferee , Executors, Administrators, and Assigns, subject to the several conditions on which held the same immediately before the execution hereof; and the said Transferee , do hereby agree to accept and take the said , subject to the conditions aforesaid.

As Witness our Hands and Seals, this Day of in the Year of our Lord One Thousand Eight Hundred and Ninety

Signed, sealed, and delivered by the above-named in the Presence of
Witness's Signature, Address, and Occupation.
Place for Seal

Signed, sealed, and delivered by the above-named in the Presence of
Witness's Signature, Address, and Occupation.
Place for Seal

Signed, sealed, and delivered by the above-named in the Presence of
Witness's Signature, Address, and Occupation.
Place for Seal

(94) It should here be noticed that in trans-

ferring Stocks and Shares the seller is called the "Transferor," and the buyer the "Transferee"; and that any alteration or erasure in a Transfer Deed, no matter how small it may be, should be initialled by both buyer and seller.

(95) The amount named in the Transfer Deed as being paid by the buyer to the seller is called "Consideration Money"; but the amount is often higher or lower than that actually *received* by the seller, owing to a subsequent sale made by the original buyer. To illustrate *how* these amounts may differ, let us suppose that A, a client, has purchased through his broker, B, 100 shares for £66 from C, a jobber. The jobber, C, would receive a "ticket" from B showing the buyer's (A's) full name and address, and should the jobber, C, purchase these shares from another broker, D, for, say, £60, C would pass on the "ticket" to D, so that the real transfer of the shares would actually be made from D to A, and the Transfer Deed, which is always made out from the "ticket," would state that the shares were transferred for £66, though D, the seller, would only receive £60 from C. Therefore, when a "ticket" passes through many hands, in consequence of the same security being sold over

and over again, it will be evident that the difference between the amount paid by the purchaser and that received by the seller may become very considerable ; and in all such cases the Stamp Act requires that the consideration money named in the Transfer Deed shall be the amount paid by the sub-purchaser, as regulating the *ad valorem* duty.

(96) Some companies are compelled to use a Special form of transfer, particularly Banks and Insurance Companies, whose shareholders have to conform to special regulations, according to their Articles of Association, or to Acts of Parliament ; and when this is the case, the company's own form must be used, otherwise the shares will not be transferred.

(97) A buyer of Registered Stocks and Shares for the Account should, as soon as the purchase has been completed, receive from his broker a stamped Contract Note specifying the amount and the name of the Stock bought, the price, and the name of the jobber with whom the bargain has been effected, a statement being added showing the charges on the transaction—such as Brokerage, Stamp Duty, and Tranfer Fees. A purchase having been made, and a proper Con-

tract Note having been received, the buyer should, before eleven o'clock on the morning of "Ticket" Day (the *second* day of the Settlement), furnish his broker with his full name and address. From these particulars the broker must, before twelve o'clock, prepare and issue a "Ticket" as follows, which he hands to the seller to enable him to make out a proper Transfer Deed :—

No.___ { If this Ticket be divided, insert Number and Name of party dividing it, or the New Ticket will not be paid for. } *Consideration £*

*Stamp* _______

________(Quantity and Name of Security) @____(price)

*To*________(Purchaser's Name)

*Of*________(Purchaser's Address)

*Given to*____(Name of Jobber to whom the Ticket is given)

____(Date) 189

________ (Name of Purchasing Broker)

(98) This "ticket," as explained in par. 95, circulates, by endorsement, similar to a Bill of Exchange, and will often pass through many hands before reaching the person who will really deliver the security. The actual selling broker, as soon as he receives the "ticket," proceeds to

make out a properly stamped Transfer Deed, describing the stock sold, and stating the full address of both buyer and seller. This having been done, and the signature of the seller having been obtained, the securities *may* be delivered on Pay Day (the last day of the Account), and if they are then presented to the purchasing broker, with a proper transfer attached, he is bound to take up and pay for the stock ; but the rules of the Stock Exchange do not admit of the delivery of Registered securities being *enforced* until ten days after the Settlement, when the "ticket" expires—that is, it can be no longer circulated.

(99) The necessity for these ten days' grace will be very apparent if we consider a moment. The actual seller of securities may live in the country, or on the Continent, and some delay must necessarily take place in communicating with him and getting the transfer properly executed ; or, the stock may be standing in the name of trustees who live in different parts of the kingdom. Again, some companies (especially Banks), in order to secure a good proprietary for their shares, exercise the right to sanction every transfer before it is made, and

when, as is usually the case, transfers can only be sanctioned at Board meetings, which only occur once a week, or once a fortnight, some time must inevitably be lost in waiting for the Directors' permission to transfer the shares.

(100) *Buying in.*—The seller may deliver the shares either on Pay Day or on *any* of the succeeding ten days following the Settlement, and if he does so, the buyer is bound to take up and pay for the securities, provided a proper Transfer and Certificate (or a Certified Transfer, as explained in par. 104) are tendered to him. But if, after the ten days have expired, no delivery has been made, the broker acting for the purchaser should give instructions to a Stock Exchange official to "buy in" the securities at auction for immediate delivery, and the defaulting seller would be liable for any extra expense so incurred, in addition to the official charge, adjusted by a sliding scale, according to the market value of the shares. The "Buying in" is effected publicly, either by the Secretary to the Committee for General Purposes, or by the Clerks of the House in their respective markets.

(101) The buyer, having paid the purchase money, will, in due course, receive the Transfer,

and after adding his signature, which must be witnessed, the document will be complete, and should then be returned to the broker for registration. The broker then forwards the Certificates and Transfer Deed to the Company's office to be registered in their books, and pays the transfer fee, a fresh Certificate recognising the new holder, and in proof of the transfer having been duly made, being afterwards returned to him. Here, again, a short time must necessarily elapse in having the transfer registered in the Company's books, but the secretary or registrar invariably gives a formal receipt for the Transfer Deed, and states the day upon which the new Certificate will be ready. When this document is received, the broker forwards it to his client, and the transaction is at an end.

(102) It should here be carefully noted that when a buyer has received a Transfer and Certificates for the shares he has purchased, it devolves upon him to see that the Transfer is registered in the Company's books and a new Certificate granted him ; and, until this is done, his title, as against the Company, is not good. The seller has nothing to do with registering a transfer, his responsibility ceasing (except in the case of

shares not fully paid up, as explained in pars. 106 and 107) as soon as he has delivered up a Certificate and Transfer properly stamped and executed.

(103) *Selling out.*—Should a purchaser fail to take up his securities, either on Pay Day or on any of the succeeding ten days, when the Certificate and Transfer are presented to him, the seller has the right to instruct an official to "sell out" *at once* by auction in the "House"—no grace, as in the case of "buying in" being allowed—the defaulting purchaser being liable for any loss so incurred, in addition to the official charge made in such cases, as explained in "Buying in."

(104) *Certified Transfers.*—When a person only sells part of his holding in a company, it is usual for him to have a Transfer made out for the amount of shares he has sold, and return his Certificate, together with the Transfer, to the Company's office, so that the Transfer may be "marked" or certified. The marking consists of an endorsement on the Transfer by the secretary or registrar that certificates to meet the purchase are at the Company's office; and when this Certified Transfer is afterwards returned to

them by the buyer, the Company will grant him a Certificate for the shares he has bought, and issue a fresh Certificate to the seller for the quantity he still retains. A Certified Transfer is sometimes issued in a similar way by the Secretary of the Share and Loan Department of the Stock Exchange, and such is always accepted as a good delivery.

(105) A registration fee of 2s. 6d. is usually charged by all companies for passing a Transfer through their books, and this of course must be borne by the purchaser.

(106) A seller of Shares not fully paid up in a limited liability company is liable for the unpaid balance for twelve months after the date of his Transfer, should any subsequent buyer be unable to pay the "calls" as they are made; and, therefore, a transferor should always endeavour to find out whether the purchaser is a person of means, and able to fulfil his engagements.

(107) And similarly with unlimited companies, should the shareholders be unable to pay all the creditors, past members are held liable for any deficiency if the company is wound up within twelve months from the date of transferring

their shares ; but they cannot be called upon to contribute until all of the existing shareholders have paid to the utmost extent of their means.

(108) The transfer books of all companies are periodically closed for a short time before dividends are due, in order that the dividend warrants may be prepared and issued. The books are then said to be "shut for dividend."

(109) When securities are bought *cum dividend* after the transfer books are closed, no transfer can then be made, and the seller will of course receive the dividend, as the securities will stand in his name in the books, but the buyer is entitled to deduct the declared dividend from the purchase money, and, in practice, it is usual for the broker to allow it on his accounts.

(110) *Blank Transfers.*—In cases where Stocks or Shares are pledged with Bankers and others as security for a loan, it is often the practice to give a Blank Transfer for the securities—that is, a Transfer Deed with the name of the transferee left blank, is attached to the Certificates. This is done to avoid payment of Stamp Duty, &c., as, were the securities actually transferred when the loan was obtained, and re-transferred when it was paid off, Stamp Duty and fees would have

to be paid twice over, and yet serve no useful purpose. By holding a Blank Transfer the banker can, if a default is made, sell the securities and fill in the purchaser's name himself, or, if the loan is redeemed, return the transfer to the borrower. Another reason for taking a Blank Transfer is, that a banker, in not having the shares transferred to his own name, does not incur the liability of a shareholder.

(111) *Inscribed Stock.*—By Inscribed Stock is meant Stock for which no actual Certificates are granted to the holders, but their names and the amount of stock they hold are inscribed in a Register kept for the purpose, either at the Bank of England, the Office of the Crown Agents for the Colonies, or some other Bank where the stock was issued. Such stocks can only be transferred by the holder (or his representative by Power of Attorney) signing the Register that he has assigned his right to some other person, and, consequently, they are considered one of the safest forms of security against fraud it is possible to deal in. In transferring Inscribed Stocks, the mode of procedure is, therefore, simply to substitute one name for another in the Register, and to show how this is accomplished, we will illustrate

a transfer in Consols, these being an Inscribed Stock.

(112) When a purchase has been made for the account, the purchasing broker will, on "Ticket" day, furnish the jobber who sold the stock with the buyer's full name and address. From these particulars the jobber, or the broker from whom the jobber has bought the stock, then fills in a special transfer form (as shown on the next page), which he places in a box at the Transfer Office of the Bank of England, under the initial of the seller's name, so that the transfer may be copied in the Bank books. Now a seller of Inscribed Stock must always be identified at the Transfer Office, either by his broker or some other person known there, that he is the rightful owner of the stock about to be transferred, and for this purpose he goes to the Bank with his broker and signs his name to the Register, in the presence of the Bank clerk, who adds his name as a witness. The seller then signs a Stock Receipt, which the Bank clerk also witnesses. This Stock Receipt is simply a receipt for the consideration money, and it is given to the purchasing broker in exchange for the purchase money, and is then handed by him to his client, who, if it be his first purchase, should

N°. ________

Bank of England, *the* *day of* 189

*From* (Name of Seller)

(Full Address)

£ (amount of Stock) £2 15s. per Cent. CONSOLIDATED STOCK.

*To* (Name of Buyer)

(Full Address)

*Examined by* *Dr. fol.* ________ *Cr. fol.* ________ *Transfer Book.*

*Posted by* *Posted by*

go to the Transfer Office and accept the transfer by signing his name in the Register opposite to the seller's name. This is called "Accepting Stock," and by it the Bank becomes acquainted with the buyer's signature. The Stock Receipt (a copy of which is shown on the following page) should always be kept until at least one dividend has been paid.

(113) The Transfer Office of the Bank of England is open on Monday, Tuesday, Wednesday, Thursday, and Friday, from eleven till three (holidays excepted); but for all transfers made after one o'clock a fee of 2s. 6d. is charged. On Saturday the office is open from eleven till one, but, as this is considered a private day there, a fee of 2s. 6d. is then charged for making transfers.

(114) While speaking of Consols it would per haps be advisable to state that as many as four separate accounts may be kept in the same name or names, by signing and lodging with the Bank a form of request, but the accounts must always be described as A, B, C, and D.

(115) With most Inscribed Stocks holders may, upon payment of the usual fees, take out Stock Certificates to Bearer for the amount of their

# £2 15s. per Cent. CONSOLIDATED STOCK.

*Transfer Days:* Monday, Tuesday, Wednesday, Thursday, Friday, *Holidays excepted.*

RECEIVED this Day of 189 of

hereinafter called the said Transferee
the sum of

being the Consideration for

Interest or Share in the Capital of the TWO POUNDS FIFTEEN SHILLINGS PER CENTUM CONSOLIDATED STOCK, forming part of the National Debt, transferable at the BANK OF ENGLAND, and all property and interest in and right to the same, and the Dividends thereon, by this Day transferred to the said Transferee

*Witness* *Hand*

*Witness*

☞ The Proprietors, to protect themselves from FRAUD, are recommended to ACCEPT by themselves or their Attorneys all TRANSFERS made to them.

£ s. d.

68

holding, to which Coupons for dividends will be attached, and then a transfer would be effected by simply passing the document from hand to hand. Any subsequent holder may, however, upon giving up the Certificates and Coupons to the Bank, re-inscribe the Stock.

(116) With some Inscribed Stocks only multiple of £1 can be transferred ; with others —Consols, for instance—any amount, however small, may be transferred.

(117) When the holder of Inscribed Stock dies, no transfer can be made until Letters of Administration or Probate to the will of deceased has been granted, when the Executor or Administrator may transfer the Stock, but under no circumstances whatever can any addition be made to the amount of Stock standing in the name of a person deceased.

(118) The transfer books of Inscribed Stocks are closed for a short time before the dividends become due, for the purpose of calculating the interest and issuing the dividend warrants. The books are then said to be "shut for dividend," during which time no transfer can be entered, except under very special circumstances.

(119) The dividends are paid in cash, upon a

personal application at the Bank, either by the Stockholder or his representative by Power of Attorney; or, upon signing and lodging the necessary form of request, by Warrants, sent by post. The latter are crossed "& Co.," and must therefore be paid into a bank for collection in the same manner as a "crossed" cheque. When the due date of dividends falls on a Sunday or Bank Holiday, the dividends are payable on the next ensuing business day.

(120) When a female stockholder changes her name by marriage, she should immediately inform the Bank, so that the Stock may be transferred into her marriage name.

(121) The following Inscribed Stocks are transferable *in any amounts* at the Bank of England:—

2¾ per Cent. Consolidated Stock (*Goschen's Consols*), 1923 (2¾ per Cent. until 5th April, 1903; 2½ per Cent. thereafter until redeemed). 3½ per Cent. Annuities, 1894. 2½ per Cent. Annuities, 1905. 2¾ per Cent. Annuities, 1905. Local Loans 3 per Cent. Stock, 1912. India 3½ per Cent. Stock, 1931. India 3 per Cent. Stock, 1948. Metropolitan 3½ per Cent. Stock, 1929. Metropolitan 3 per Cent. Stock, 1941. Metropolitan 2½ per Cent. Stock, 1949. Liverpool 3½ per Cent. Stock. Birmingham 3½ per Cent. Stock, 1946. Birmingham 3 per Cent. Stock, 1947. Swansea 3½ per Cent. Stock. Hull 3½ per Cent. Stock. Wolverhampton 3½ per Cent. Stock. Nottingham 3 per Cent. Stock.

Manchester 1891 Redeemable Stock (3 per Cent.), 1941. New Zealand 4 per Cent. Consolidated Stock, 1929. New Zealand $3\frac{1}{2}$ per Cent. Consolidated Stock, 1940. New South Wales 4 per Cent. Stock, 1933. New South Wales $3\frac{1}{2}$ per Cent. Stock, 1924. New South Wales $3\frac{1}{2}$ per Cent. Stock, 1918. Queensland 4 per Cent. Stock, 1915. Queensland 4 per Cent. Stock, 1924. Queensland $3\frac{1}{2}$ per Cent. Stock, 1924. Queensland $3\frac{1}{2}$ per Cent. Stock, 1930.

(122) The following Inscribed Stocks are transferable *in multiples of £1* at the Bank of England :—

Eastern Bengal Railway "A" Annuity, expiring 30th July, 1957. Eastern Bengal Railway "B" Annuity, expiring 30th July, 1957. Eastern Bengal Irredeemable 4 per Cent. Debenture Stock. Scinde, Punjaub, and Delhi Railway "A" Annuity, expiring 31st December, 1958. Scinde, Punjaub, and Delhi Railway "B" Annuity, expiring 31st December, 1958. East Indian Railway $4\frac{1}{2}$ per Cent. Irredeemable Debenture Stock. Oude and Rohilkund 4 per Cent. Debenture Stock, 1898.

The following Inscribed Stocks are transferable *in any amounts* at the London and Westminster Bank, Lothbury, E.C., the procedure being the same as at the Bank of England :—

Cape of Good Hope 4 per Cent. Inscribed Stock of 1883. Cape of Good Hope 4 per Cent. Consolidated Stock, 1916-1936. Cape of Good Hope $3\frac{1}{2}$ per Cent. Consolidated Stock, 1926-1949. 4 per Cent. Victoria Inscribed Stock, 1881-2-3-4-5. $3\frac{1}{2}$ per Cent. Victoria Inscribed Stock, 1888 9. $3\frac{1}{2}$ per Cent. Victoria Inscribed Stock, 1921-6. $3\frac{1}{2}$ per Cent. Tasmanian Inscribed Stock, 1920 40. Newfoundland

Inscribed Stock, 1913-38. 3½ per Cent. Brighton Corporation Stock, 1946. Cardiff Corporation Stock, 1935. 3½ per Cent. Reading Corporation Stock. 3 per Cent. Reading Corporation Stock. 4 per Cent. Western Australia Inscribed Stock, 1911-31.

(123) The following Inscribed Stocks are similarly transferable *in any amounts* at the office of the Crown Agents for the Colonies, 1, Tokenhouse-buildings, E.C. :—

Western Australia (January and July, 1934) 4 per Cent. Natal 4 per Cent. Inscribed Stock (April and October), 1937. Natal 4 per Cent. Inscribed Stock (May and November), 1927. Natal 3½ per Cent. Inscribed Stock. Ceylon 4 per Cent. Inscribed Stock. Ceylon 3 per Cent. Inscribed Stock. Jamaica 4 per Cent. Inscribed Stock. Mauritius 4 per Cent. Inscribed Stock. Mauritius 3 per Cent. Inscribed Stock (guaranteed). Grenada 4 per Cent. Inscribed Stock. Trinidad 4 per Cent. Inscribed Stock. Hong Kong 3½ per Cent. Inscribed Stock. British Guiana 4 per Cent. Inscribed Stock.

(124) *Power of Attorney.*—A Power of Attorney is a legal document by which one person is authorised to sign and act for another in some special case—such as to receive dividends, buy, sell, or transfer Stocks and Shares—or unreservedly in business in matters generally. They are liable to stamp duty, and must be attested by two witnesses (who must be over age), with their full addresses and occupations appended. A

Power of Attorney is granted by persons living at a distance, or by persons who may be either unable or unwilling to act for themselves, so that others may act for and represent them in their absence. Forms for receiving dividends or dealing in Stocks are in common use, and they may be obtained from any stationer's or through a broker

(125) Should a person act for himself, or issue a new power after having granted a Power of Attorney, such action would revoke the power already granted, and it could not then be acted upon by the person appointed.

(126) Applications for Powers of Attorney must be lodged by *hand* at the Power of Attorney Office of the Bank of England, as applications made through the post will not be attended to. Applications are received between 9.30 a.m. and 4 p.m. (9.30 to 2 on Saturdays); but if Sale Powers are required the same day, applications must be lodged before 12.30 p.m.; 11 a.m. (or 12 noon, with a fee of 2s. 6d.) on Saturdays. Powers for Attorney for Dividends will be ready after 2 p.m. (1 p.m. on Saturdays) on the day *after* that on which they are applied for.

(127) The charges for Powers of Attorney are as follows :—

| | |
|---|---|
| For sale, or sale and dividends...... | 11s. 6d. |
| For sale of Stock producing less than £20 .............................. | 6s. 6d. |
| For dividends only .................... | 5s. 0d. |
| For a single dividend ......... ...... | 1s. 0d. |

For the receipt of dividends under £3 per annum on English Government Stock, FREE.

(128) When executing a Power of Attorney care should be taken that the instructions printed on the back of the ordinary form are strictly attended to.

(129) Before closing this chapter, the Clearing House requires a brief notice. By the system of "clearing," only the *difference* between the amount of Stock bought and sold is actually given and received—the trouble of passing securities from hand to hand is thus considerably lessened. Suppose, for example, that a member's book showed that he had bought £5,500 of some particular security, and sold only £5,000, as follows:—

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Bought | $1\frac{1}{2}$ | of | A, | sold | 1 | to | E. |
| „ | 2 | „ | B, | „ | $\frac{1}{2}$ | „ | F. |
| „ | $1\frac{1}{2}$ | „ | C, | „ | 2 | „ | G. |
| „ | $\frac{1}{2}$ | „ | D, | „ | $1\frac{1}{2}$ | „ | H. |
| | $5\frac{1}{2}$ | | | | 5 | | |

(130) If he received and delivered each of the above amounts it would necessitate the Stock passing through eight different hands, whereas the actual *difference* between the amounts bought and sold is only £500 Stock, or ½, as it is usually usually called (*see* par. 23).

(131) The actual process of clearing stocks is too elaborate and intricate to be explained here; but the member would fill in particulars as above on a special form, and pass it through the Clearing House. Here they would find a member whose sheet showed that he had sold £500 more than he had bought of this particular security. The two parties would then be brought together by means of tickets. One would be issued to the seller, stating to whom he is to deliver, and another would be given to the buyer, stating from whom he is to receive the stock.

(132) The system of clearing will be more readily understood if we remember that for every transaction there must be both a buyer and a seller. If, therefore, one member has bought more Great Westerns than he has sold, there must be another member who has sold more than he has bought, and it only requires that these two persons be brought together—the

one to give and the other to receive—in order to balance the account.

## CHAPTER VI.

*Fluctuations in Prices—How Caused—Supply and Demand—Speculation—General Recommendations — Securities dealt in—Scrip — Stocks — (Bank — Corporation — Debenture— Deferred — Guaranteed — Inscribed — Ordinary —Preference—Preferred —Registered) —Priority of Stocks—Shares — (Cumulative Preference — Founders' — Preference — Vendors') — Bonds — (Currency — Exchequer — Gold—Lottery — Preference — Registered) — Sterling)—Calculations of Value—Investments by Trustees—Stamp Duties.*

(133) THE prices of Stocks and Shares, like everything else which is sold in the open market, are regulated by the laws of supply and demand. Therefore, an increase in the demand or a decrease in the supply, will always tend to raise a price; while an increase in the supply or a decrease in the demand invariably conduces to lower a price.

(134) As an example, let us suppose that on some particular day the united orders of the various London brokers to buy Consols amounted to £5,000,000, while the combined orders to sell only amounted to £1,000,000. That such was the actual state of affairs could not of course be known by anyone, since orders would come from all parts of the kingdom, and no one could tell what instructions each separate broker had to carry out. But the demand during the day would be greater than the supply (there being more buyers than sellers), and consequently the jobbers, after a few transactions had been made, would soon run short of stock, and would then begin to make higher quotations, each time advancing the price as their stock became exhausted.

(135) Inversely, if there were more orders to sell than to buy, the price would go down, as the jobbers would soon be full of Stock, and would become more reluctant to buy except at lower prices; they would, therefore, be forced to continually make lower quotations so long as the supply continued.

(136) It will, therefore, be seen that it is the public themselves who enhance or depreciate the

prices of securities ; and having thus illustrated *how* the fluctuations occur, we will endeavour to show, by a few examples, what *causes* an increase in the supply or a decrease in the demand.

(137) Public opinion is the chief element in increasing the price of securities. At one time they will favour Government or Railway Stocks, at another, Brewery Shares, at another, Mining Shares, and so on ; and seeing that the general public usually follow the lead of the large market operators, there often arises a sudden and increasing demand for a security which, on account of previous ill favour, or lowness of price, has for a time been neglected, the effect being that prices will rise in proportion to the demand created.

(138) A commercial crisis will cause a general selling of Stocks and Shares, sometimes on account of the persons involved suddenly finding that they will require their capital which is locked up in such securities, at others, and which is more generally the case, on account of investors becoming panic-stricken, and, fearing that a heavy drop in prices is imminent, hasten to sell their holdings before the fall reaches its lowest point.

(139) Consols, being chiefly bought as a permanent investment, and also being largely held in the employment of bankers' balances, are not so liable to such sudden and heavy falls as most other securities. They are, nevertheless, usually a true index to the general state of the Stock Market, and any sudden fall in them is generally reflected in most all other securities. Consols are chiefly affected by political influences and the value of money.

(140) New loans to Foreign Governments will usually cause a fall in the Stocks already issued, as there will be an increase in the supply, and so will new Shares issued for the purpose of creating more capital. Political troubles, too, will cause a fall in the price of the Bonds and Stocks of those countries at variance with each other.

(141) As to Railway Stocks, these generally advance in price with an increase in the takings, as there will be a better prospect of a dividend; and they will decline in price with a decrease in the takings. They are also influenced by the weather, by an accident, by harvest prospects, and by the state of trade. Bad weather, especially in the holiday season, will cause a fall on passenger lines, as the takings will probably be

small. An accident will cause a fall, as there will be every prospect of a large outlay being expended to repair the damage done. A good harvest will cause a rise in the Stocks of foreign railways over which the grain must be carried, as the extra takings will help to swell the dividends. A large foreign order for rails, &c., whether to build or to renew a railway, or an order for shipbuilding, would immediately have a beneficial effect upon the Stocks of our home railways over which such goods would have to be carried; while, on the other hand, depressed trade, strikes, rival competition, and similar influences, would have an adverse effect.

(142) Regarding Industrial Companies, &c., everything, of course, will depend upon their management, success, and public favour; while with mines—the most uncertain of all undertakings—the price will rise with an increased output or sudden find of a good lode or vein, and fall with disappointing results, bad management, &c.

(143) Generally speaking, the state of trade has a marked influence on Stocks and Shares. In prosperous times most all securities tend to im-

prove in price, and in dull times they usually fall away.

(144) Examples might be multiplied indefinitely, but an intelligent reader of the Money Articles in his daily newspaper will quickly see what influence one thing has upon another in the Stock Market, and, with sound reasoning, will soon be able to forecast the probable course of a market, if he make a special study of it for a short time each day.

## SPECULATION.

(145) *Speculation* has largely increased of late years, owing, no doubt, to the facilities now offered being considerably in advance of those in former times, and, when taken up systematically, with prudence and good judgment, transactions can generally be made to turn out profitable ; but the inherent desire to become suddenly rich has induced many a man to speculate far beyond his means, and has ultimately led him to ruin, though in some few instances "plunging" has been found to turn out a success. Buying or selling without system or reason cannot be expected to result otherwise than in a loss ; and

yet how comparatively few are the speculators who operate with anything like a full knowledge of the Stocks and Shares they deal in! Relying upon "tips," and without any practical acquaintance with the securities he operates in, the speculator is sure to find that prices go against him, while a knowledge of its past history and a study of the causes of former fluctuations must be a guide—and the best one it is possible to have—as to whether a security should or should not be operated in, and should form a true index for pointing out the probable extent of a fluctuation about to take place. Therefore, a few words on the theory of speculation may, it is hoped, enable the speculator to use his own judgment, rather than rely upon the information of others, and place him on the right road to success.

(146) It has been truly said that to speculate successfully needs "*pluck*, *decision*, *and good judgment*," and it is difficult to say to which of these three words the most emphasis should be given. Obviously the all-important point is to know when to buy and when to sell, so as to take the fullest advantage of a fluctuation in value; but so many and so varied are the influences at

work in the Stock Market that to find out when *is* the right moment to operate will, at first, be found a task of great difficulty.

(147) With some securities there is a margin within which it is practically safe to either "bull" or "bear" the stock, and therefore a speculator's aim should be, by taking the averages of previous years, to find out what are the highest and lowest prices such securities have ever reached, and what were the influences which chiefly altered their values. With other securities, fluctuations are so constant that profits can only be made by carefully studying for a time each rise and fall as it occurs, and noting by what means the prices were altered. It is in those stocks and shares which are liable to sudden and violent fluctuations that the successful speculator makes his profits, for by carefully watching the causes of the previous movements in prices he is soon able to anticipate a rise or fall under similar circumstances, and so find frequent opportunities of turning his knowledge to good account. "Coming events cast their shadows before," and to a person who carefully and systematically watches the causes of earlier fluctuations there will gradually appear certain signs and data which

will become almost infallible guides for forecasting a rise or fall in prices.

(148) Therefore, before speculating, if you would be successful, it is of paramount importance to study a stock for some time before operating —note the cause and the extent of each fluctuation ; obtain, and ponder over all possible information relating to it, taking care not to let the smallest incident or affecting influence escape you, and with the knowledge thus gained, by acting promptly, with prudence and good judgment, success will be certain.

(149) A maxim of one of our successful speculators was, "Cut your losses, but let your profits run." No person can always be right, however good his judgment may be, and if you find, from some adverse or unforeseen event, a price suddenly going against you, with every prospect of a further movement in the same direction, cut your loss as soon as it occurs, if it does not seem advisable to "average" by buying or selling more ; or, should circumstances warrant it, veer round and go on the opposite tack.

(150) Another valuable maxim is, "spread your operations"—in other words do not put all your eggs into one basket. This is especially applic-

able to mining adventures, where it is always better to spread a large amount over several mines, rather than place it all in one undertaking. If, then, a loss is made in one direction, there is every probability that it will be recovered by a profit in another.

(151) It often happens that in times of depression some particular Stocks or Shares of good intrinsic value are, from a combination of circumstances, temporarily depreciated in price, and a speculator who is able to take such securities off the market for a time may often pick up a good bargain in this way.

(152) To those parties who must speculate, but who are yet unwilling to rely upon their own judgment, it may be interesting to know that it is generally considered safe to follow the lead of real investors, for such persons invariably buy a low-priced but good stock, and sell again when a fair profit is obtainable, to re-invest in some other cheap but equally promising security.

### General Recommendations.

(153) Always give your broker *written* instructions in the clearest possible manner; there can

then be no dispute if your wishes are not fully carried out.

(154) If you are living at a distance, or are unable to carefully watch fluctuations for yourself, always give written instructions as to the price you wish a bargain closed at (and it is advisable to add that the limit is given *until withdrawn*), so that no opportunity of closing at a profit may be lost.

(155) When dealing in "Options," always choose those securities which are liable to sudden or violent fluctuations in preference to those which move more slowly.

(156) When dealing under the "Cover" system, if your deposit is "running off" and you wish to further extend the operation, be sure to tender your additional "cover" before the margin is actually reached.

(157) If you have a good profit in hand, never wait too long before taking it. Remember that "a bird in hand is worth two in the bush," and a transaction which shows a good profit to-day may from some unforeseen event, turn out a big loss to-morrow. Short and quick profits always tell in the long run.

## The Principal Securities Dealt in.

(158) The securities dealt in on the London Stock Exchange are :—Scrip, Stocks, Shares, and Bonds.

(159) *Scrip* is a certificate for instalments of money paid on Shares in some public company, when the whole amount to be paid has not been called up. Or a *preliminary* certificate for a fully paid-up share, when the whole of the money has been paid previous to the registration of subscribers. Such documents are transferable, and are exchanged for the definitive share certificates —in the latter case as soon as the company is floated, and in the former, on completion of the payment of all the "calls." "Scrip" is an abbreviation of the word subscription.

(160) The term "Stock," as distinguished from Shares, usually means that transactions can be made *in any amounts*, or, in some instances, in certain multiples of £1. In several cases it forms part of a consolidated fund, as with Consols, for instance, where several issues have been merged into one common debt, or, as with some Railway Companies, where several issues of shares have been converted into stock by being consolidated

together. In other instances it is issued as "stock."

(161) *Bank Stock* is the proprietors' capital, in the banking department of the Bank of England. The stock pays good dividends and stands at a very high premium.

(162) *Corporation Stocks* are stocks issued by the various Corporations and Counties in the United Kingdom, and the Colonial and Foreign States; they carry a charge on the public rates, &c., and bear a fixed rate of interest on their face value.

(163) *Debenture Stock* is a mortgage or loan to railway and other public companies, carrying a fixed yearly interest, and having the *first charge* on the assets and property of the company for payment of both capital and interest over all other stock. All debenture stocks do not carry the same rights, the exact claim which they have upon the property being determined at the time they are issued; but most of them carry a first charge on all the undertakings and assets, including uncalled capital, and are a first mortgage on the real and leasehold property of a company. Some debentures are irredeemable, others are debentures for a term of years, redeemable by a

sinking fund. Such stocks are generally considered an excellent security.

(164) *Deferred Stock.*—This usually forms part of the Ordinary stock, and it is not entitled to any dividend until a fixed rate has been paid on the Preferred stock. Some railway companies, finding that it would be more advantageous to pay a dividend upon a smaller capital than that originally issued, have divided their ordinary stock into "*Preferred*" and "*Deferred*" stock, the latter not receiving any return until a certain dividend has been paid on the preferred stock. Deferred stock is also known as "A" stock.

(165) *Guaranteed Stock* is stock upon which the interest or principal and interest are guaranteed.

(166) *Inscribed Stock* has been fully explained in pars. 111—123. It is generally considered one of the safest forms of security dealt in, and although carrying but a low rate of interest, such stocks are beginning to find favour with small investors, most of whom have recently found that high interest means bad security.

(167) *Ordinary Stock* is the stock which ranks last in taking a share of the profits, it not being entitled to any dividend until all other preferential interests have been satisfied.

(168) *Preference Stock.*—This stock ranks before ordinary stock (and therefore before *Preferred* stock), and either carries a fixed rate of interest, or is subject to a dividend which is contingent on the profits made during a certain period, as agreed upon at the time of issue. Almost all Preference stocks have been created in order to raise additional capital for working or developing a concern already floated, especially as regards English railways.

(169) *Preferred Stock* usually forms part of the Ordinary stock, and is entitled to a fixed rate of dividend before anything is paid on the Deferred stock. With some railway companies it has been found convenient to make a further distinction in distributing profits, and therefore the Ordinary stock has been divided into two parts, called "Preferred" and "Deferred," the deferred half not receiving any dividend until a fixed rate has been paid on the preferred half. Preferred Stock is also known as "B" stock.

(170) *Registered Stock.*—This is stock which is registered in the holder's name, either at a bank, or a company's office where the stock was issued. It differs from stocks and bonds to "bearer" in having no coupon-sheet attached, the dividends

being payable by warrants, which are posted to the holder's address as they become due, and also that it is not transferable, except the holder (or his representative by power of attorney) sign the register that he has assigned his right to some other person. It is called "Registered Stock" because the holder's name is registered in a book as the possessor of so much stock, and he only receives a Certificate declaring the amount of stock he holds, as showing that he is entitled to receive interest upon it so long as his name appears upon the register as the rightful owner of the stock.

(171) The usual order in which stocks and shares rank, in regard to the priority of their dividends, is, supposing the whole of the following to be issued by one company :—

(1) Debenture Stock.

(2) Guaranteed Stock.

(3) Cumulative Preference Stock.

(4) Preference Stock.

(5) Ordinary Stock, or, where the Ordinary Stock has been divided,

Preferred.

Deferred.

This is, of course, without taking into account the Founders' and Vendors' shares, which variously take their profit according to agreement at the time of issue.

(172) *A Share* is a proportion of interest and liability in any undertaking or company. All the shareholders in a public company have Certificates granted them, showing the number of shares they hold, and entitling them to participate in the profits. A public company issues many kinds of shares—some investors pay £20 for a share, while others only pay a £1, consequently, those who pay the larger amount take a share in the profits prior to those who pay the smaller amount. The exact order of priority which one share has over another is determined by the name of the different kinds of shares issued, and as stocks and shares are so closely allied, the reader is referred to "Stock" (par. 160) for further information as to the priority of shares.

(173) *Cumulative Preference Stocks and Shares.*—These are securities upon which the guaranteed dividend, if it cannot be paid in any one year, or any series of years, accumulates until it can be paid; and such accumulated dividend is entitled

to payment before any dividend is paid either on the Preference or Ordinary stock out of the profits in any succeeding year. The stock is cumulative as to dividend, and preferential as to capital, and in the event of the dividends being in arrear the revenue for any year is first applied to payment of dividend for the current year, and then to payment of the arrears, commencing with those of the nearest years.

(174) *Founders' Shares.*—These are shares granted to the founders of a company in consideration of their having floated the concern, either by defraying the preliminary expenses or for services rendered as regards the promotion. Founders' shares are transferable, and they take a profit as may be agreed upon, either before or after the ordinary shares have been paid a dividend. In many instances where companies are successful, such shares command a very high premium.

(175) *Preference Shares.*—These rank *before* Ordinary shares, and either carry a fixed rate of interest, or are entitled to dividends which are contingent on the profits made during a certain period, as fixed upon at the time they are issued.

(176) *Vendors' Shares* are shares taken instead

of cash by parties who convert their business into a public company. These shares take a dividend as may be agreed upon—sometimes they rank *pari passu* with the ordinary shares, at others they defer taking a dividend until the ordinary shares have been paid a certain amount and then claim one-half or the whole of what is left, according to the amount of purchase-money which the vendor has accepted in such shares.

(177) *Bonds* have already been explained in par. 90. They are either registered, or to "bearer." When the bonds are registered, the interest is paid by warrants, which are sent by post to the holder's address; when they are to "bearer" they pass by simple delivery from hand to hand like Bank Notes, and attached to them are a number of interest warrants, called "coupons," which are cut off and presented for payment as the dividends fall due. When foreign bonds are made in the currency of the State issuing them, they will fluctuate in value in proportion as the Rate of Exchange rises or falls, and so will generally be represented here by uneven amounts.

(178) *Currency Bonds* are bonds issued by the various American Railroad Companies, the prin-

cipal and interest being payable in the currency of the United States—that is, it is optional whether the bonds are paid in paper, silver, or gold.

(179) *Exchequer Bonds.*—These are Government securities forming part of the Unfunded Debt of the country; they are of a more permanent character than Exchequer Bills, as they run for a much longer period. The bonds bear interest at so much per cent. per annum, payable half-yearly, until the expiration of the time for which they are issued, and they are then subject to redemption at par. Both principal and interest are paid out of the Consolidated Fund.

(180) *Gold Bonds* are bonds the principal and interest of which are payable in gold coin. They are issued by the various American Railroad Companies, and are usually considered of more value than bonds which are payable in silver, being more readily negotiable.

(181) *Lottery Bonds.*—These are bonds issued by foreign States for municipal and Government loans. They usually bear a stated amount of interest on their face value, and are redeemable at par within a stated period, or earlier with a

bonus or prize if drawn at the periodical drawings as they take place. Most of them are issued at a depreciated price, being usually created by those States whose financial affairs are somewhat straightened. The interest ceases as soon as the bonds are drawn for redemption.

(182) *Preference Bonds.*—These bear a fixed rate of interest, which is payable before profits are divided amongst the ordinary bonds. First, Second, and Third Preference Bonds are sometimes created, in which case each succeeding issue ranks after the previous one.

(183) *Registered Bonds* are bonds which, as a protection against loss or theft, are registered in the holder's name in the books of the company or State issuing them.

(184) *Sterling Bonds* are the bonds of some of the American Railroad Companies, but, having been issued here, are payable in £ sterling, and not in the currency of the United States.

### CALCULATIONS OF VALUE.

(185) To ascertain what interest a security will pay when at a certain price, multiply the rate per cent. paid by the security by 100, and divide by the present price. For example, a

4 per cent. Stock at 80 will return an investor 5 per cent., thus—

$$\begin{array}{r} 4 \\ \underline{100} \\ 80\ )\ 400\ (\ 5 \\ \underline{\underline{400}} \end{array}$$

(186) To ascertain what price should be paid for a security to return a certain interest, multiply the rate per cent. paid by the security, and divide by the rate of interest one wishes to receive. For example, a 3 per cent. Stock, to yield 5 per cent. on the outlay, must be purchased at 60, thus—

$$\begin{array}{r} 3 \\ \underline{100} \\ 5\ )\ \underline{300} \\ \underline{\underline{60}} \end{array}$$

### Investments by Trustees.

(187) The principal provisions of the Trust Investment Act, 1889, which apply to Great Britain and Ireland (excluding Scotland) are as follows:—

Section III.—It is lawful for a Trustee, unless expressly forbidden by the instrument (if any) creating the trust, to invest any trust funds in their hands as follows:—

(*a*) In any of the Parliamentary Stocks or Public Funds or Government Securities of the United Kingdom:

(b) On Real or Heritable Securities in Great Britain or Ireland:

(c) In the Stocks of the Banks of England or Ireland:

(d) In India Three-and-a-half per Cent. and Three per Cent. Stocks, or in any other Capital Stock which may at any time hereafter be issued by the Secretary of State in Council of India, under the authority of Act of Parliament, and charged on the revenues of India:

(e) In any securities the interest of which is or shall be guaranteed by Parliament:

(f) In Consolidated Stock created by the Metropolitan Board of Works, or which may at any time hereafter be created by the London County Council, or in Debenture Stock created by the Receiver for the Metropolitan Police District:

(g) In the Debenture or Rentcharge or Guaranteed or Preference Stock of any Railway Company in Great Britain or Ireland, incorporated by special Act of Parliament, and having during each of the ten years last past before the date of investment, paid a dividend at the rate of not less than three per cent. per annum on its ordinary Stock:

(h) In the Stock of any Railway or Canal Company in Great Britain or Ireland whose undertaking is leased in perpetuity or for a term of not less than two hundred years at a fixed rental to any such Railway Company as is mentioned in sub section (g) either alone or jointly with any other Railway Company:

(i) In the Debenture Stock of any Railway Company in India, the interest on which is paid or guaranteed by the Secretary of State in Council of India:

(j) In the "B" Annuities of the Eastern Bengal, the East Indian, and the Scinde, Punjaub, and Delhi

Railways, and any like annuities which may at any time hereafter be created on the purchase of any other Railway by the Secretary of State in Council of India, and charged on the revenues of India, and which may be authorised by Act of Parliament to be accepted by trustees in lieu of any Stock held by them in the purchased Railway :

(*k*) In the Stock of any Railway Company in India upon which a fixed or minimum dividend in sterling is paid or guaranteed by the Secretary of State in Council of India :

(*l*) In the Debenture or Guaranteed or Preference Stock of any Company in Great Britain or Ireland, established for the supply of water for profit, and incorporated by special Act of Parliament or by Royal Charter, and having during each of the ten years last past before the date of investment paid a dividend of not less than five pounds per cent. on its Ordinary Stock :

(*m*) In nominal or inscribed Stock issued, or to be issued, by the Corporation of any Municipal Borough having, according to the returns of the last census prior to the date of investment, a population exceeding fifty thousand, or by any County Council, under the authority of any Act of Parliament or Provisional Order :

(*n*) In nominal or inscribed Stock issued, or to be issued, by any Commissioners incorporated by Act of Parliament for the purpose of supplying water, and having a compulsory power of levying rates over an area having, according to the returns of the last census prior to the date of investment, a population exceeding fifty thousand, provided that during each of the ten years last past before the date of investment the rates levied by such

Commissioners shall not have exceeded eighty per cent. of the amount authorised by law to be levied :

(*o*) In any of the Stocks, Funds, or Securities for the time being authorised for the investment of cash under the control or subject to the order of the Court :

and also from time to time to vary any such investment.

## STAMP DUTIES.

### STAMP DUTIES ON TRANSFER OR CONVEYANCE OF STOCK, SHARES, REGISTERED BONDS, DEBENTURES, &c.

| | £ | s. | d. |
|---|---|---|---|
| CONTRACT NOTE, Stocks, Shares, &c. ... ... | 0 | 0 | 1 |
| If the value of the stock bought or sold is of the value of £100 or upwards, on each description of stock bought or sold ... ... ... ... ... | 0 | 1 | 0 |
| CONVEYANCE and transfer of any Mortgage Bond or Debenture or Marketable Security not transferable by delivery—where the purchase-money shall not exceed £5 ... ... ... ... | 0 | 0 | 6 |
| Exceeding £5 and not exceeding £10 ... ... | 0 | 1 | 0 |
| ,, 10 ,, 15 ... ... | 0 | 1 | 6 |
| ,, 15 ,, 20 ... ... | 0 | 2 | 0 |
| ,, 20 ,, 25 ... ... | 0 | 2 | 6 |
| For every additional £25 up to £300 ... ... | 0 | 2 | 6 |
| If exceeding £300, then for every £50 ... ... | 0 | 5 | 0 |
| Of any kind not otherwise charged ... ... ... | 0 | 10 | 0 |
| MINES on the cost-book system, stamp duty on each transfer ... ... ... ... ... ... ... | 0 | 0 | 6 |

| | £ | s. | d. |
|---|---|---|---|
| CONVEYANCE OR TRANSFER :—Of Bank of England Stock .. ... ... ... ... ... ... ... | 0 | 7 | 9 |
| East India Company Stock... ... ... ... ... ... | 1 | 10 | 0 |
| Of any Colonial debenture stock or funded debt for every £100, or fractional part of £100, of nominal amount transferred ... ... ... ... | 0 | 2 | 6 |
| SHARE CERTIFICATE, Foreign or Colonial, or security for money of any company or corporation (if a marketable security transferable by delivery). On the occasion of the first delivery thereof in any year on a nominal value not exceeding £25 ... ... ... ... ... ... | 0 | 0 | 3 |
| Exceeding £25 and not exceeding £50 ... ... | 0 | 0 | 6 |
| And for every £50 or fractional part after the first £50 ... ... ... ... ... ... ... ... | 0 | 0 | 6 |
| SHARE WARRANT to Bearer, three times the amount of transfer or conveyance duty... ... | | | |
| For the transfer of stocks and shares at a nominal consideration ... ... ... ... ... | 0 | 10 | 0 |
| MORTGAGE BONDS, &c. :— | | | |
| Bonds and all other securities (Foreign or otherwise, except Colonial) when payable to bearer :— | | | |
| For every £10 and fractional part ... ... ... | 0 | 1 | 0 |
| Substituted Securities for any of the above :— | | | |
| For every £20 and fractional part ... ... ... | 0 | 0 | 6 |
| For any other description, not exceeding £10... | 0 | 0 | 3 |

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Not exceeding £25. | 0 | 0 | 8 | Not exceeding £200. | 0 | 5 | 0 |
| „ „ 50. | 0 | 1 | 3 | „ „ 250 | 0 | 6 | 3 |
| „ „ 100. | 0 | 2 | 6 | „ „ 300. | 0 | 7 | 6 |
| „ „ 150 | 0 | 3 | 9 | | | | |

| | £ | s. | d. |
|---|---|---|---|
| Exceeding £300, for every £100 and fractional part of £100 ... .. ... ... ... ... ... | 0 | 2 | 6 |

Stock certificate to Bearer, three times the Conveyance duty on nominal value.

## CHAPTER VII.

### *A Complete Glossary of the Terms, Phrases, and Abbreviations peculiar to the "House."*

EVERY business has its technical terms and abbreviations, but the words and phrases used in connection with the Stock Exchange are so peculiarly its own, and, generally, so imperfectly understood, that the present work could scarcely be called complete without inserting them. The following list has been carefully compiled, and it may be safely said that both speculators and investors will find in it all that they desire to know.

Account.—The period which intervenes between one Settlement and another. Buying "for the Account" means, therefore, buying for delivery on the next fortnightly Settlement which follows the date of purchase. (See pars. 72-76.)

Acct.—Account.

Ad Valorem Duty.—A stamp tax *according to the value* of securities.

Arbitrage.—Buying securities in one market and selling them in another. For example, buying

American Railway Shares in London and simultaneously selling them in New York.

"A" Stock.—As relating to Railways, this means the *Deferred* Stock, which receives no dividend until a fixed rate has been paid on the Preferred or "B" Stock.

Atlantics.—The Bonds of the New York, Pennsylvania, and Ohio Railway Company. Therefore "Atlantic Firsts" would mean the *first* mortgage Bonds of this company.

Averaging.—A system whereby a speculator increases his transactions at a higher or lower figure when a price moves against him, so that the *average price* of the whole will be higher or lower than his original purchase or sale. A "*bull*" would average by *buying* a further quantity as the price *fell away;* a "*bear*" by *selling* a further quantity as the price *rose* against him.

Ayrshires means the Ordinary Stock of the Glasgow and South Western Railway.

Back.—An abbreviation of Backwardation.

Backwardation.—There is said to be a "backwardation" on securities when they can be bought cheaper "for the Account" than "for Money." The term is also used to represent the

rate of interest, either of so much per share, or so much per cent., charged or allowed for carrying forward a "bear" transaction to the next Account. (See par. 82.)

Bank Stock.—The proprietors' capital or shares in the Banking Department of the Bank of England.

Bays.—The Shares of the Hudson Bay Company.

Bear.—A speculator who sells, for delivery on a certain date, Stocks or Shares which he does not possess, in the expectation of being able to buy them at a lower price before the delivery date arrives, and so make a profit on the transaction. (See par. 46.)

Berthas.—The Deferred Ordinary Stock of the London, Brighton, and South Coast Railway.

Berwicks.—The Consolidated Ordinary Stock of the North Eastern Railway.

Bk.—Backwardation.

Bond.—A security issued by Foreign Governments, Railways, and other public companies in return for money lent to them. Such documents carry a guarantee to pay a fixed rate of interest upon the sums advanced until the loan is redeemed at the end of a specified time. They

are either registered, or to "bearer." Bonds to "bearer" pass by simple delivery from hand to hand, like Bank Notes, and attached to them are a number of interest warrants, called "Coupons," which are cut off and presented for payment as the dividends fall due. When the Bonds are registered, the interest warrants are sent by post to the holder's address.

Boom.—Any outburst of speculation which causes a sudden and increasing demand for securities, thereby forcing up their price, is said to be a "Boom."

Bourse.—A continental term for a Stock Exchange, or a Money Market.

Brightons.—The Ordinary Stock of the London, Brighton, and South Coast Railway.

British.—The Ordinary Stock of the North British Railway.

Broker, Stock.—The *middleman* between the jobber and the public. (See par. 9.)

Brokerage.—A charge of so much per cent., or so much per share, made by brokers for transacting business for their principals. Stock-brokers usually call it Commission.

Brums.—The Ordinary Stock of the London and North Western Railway.

"B" Stock.—As relating to railways, this means the *Preferred* Stock, which receives a fixed rate of interest before any dividend is paid on the Deferred or "A" Stock.

Bucket Shop.—A term given to outside brokers and dealers, many of whom, by means of touting circulars or advertisements purport to show how, without charging any commission whatever, they are able to make a £5 or £10 note produce a hundred pounds or so within a few days.

Bull.—A speculator who contracts to buy Stocks or Shares in the expectation of being able to sell them at a higher price before the next Settlement. (See par. 45.)

Buying in.—The operation by which a buyer enforces delivery of his securities when the seller has failed to deliver them within the prescribed time. (See par. 100.)

Caleys.—The Ordinary Stock of the Caledonian Railway.

Call.—A mode of speculating whereby a speculator pays down so much per cent. (or so much per share) for the option of buying so much Stock (or so many shares) at a fixed price on a certain day. Also a demand for payment of an

instalment due on shares which are not fully paid up. (See par. 52.)

Can. Pacs.—Canadian Pacific Railway Shares.

Carrying over.—Postponing the actual closing up and settlement of a bargain from one Account to another, "Contango" or "Backwardation" being charged or allowed for the accommodation. (See par. 82).

Centrals.—The Shares of the New York Central Railway.

Cgo.—Contango.

'Change.—An abbreviation of Exchange.

Chats.—The Ordinary Stock of the London, Chatham, and Dover Railway.

Chinas.—The Shares of the Eastern Extension Telegraph Company.

Claras.—The No. 1 Deferred Ordinary Stock of the Caledonian Railway.

Clarettes.—The No. 2 Deferred Ordinary Stock of the Caledonian Railway.

C/m.—Call of more.

C/o.—Carried over (used in accounts).

Commission.—A charge made for transacting any business for another. (See Brokerage.)

Consideration Money.—The amount named in

a transfer deed as being paid by the buyer to the seller. (See par. 95.)

Consolidated.—A term applied to various funds bearing the same or different rates of interest which have been merged or consolidated into one common debt or denomination.

Consols.—An abbreviation of the term consolidated. Hence, New Zealand "Consols," North Eastern "Consols," Goschen's "Consols," &c.

Contango.—The interest, per cent. or per share, charged by jobbers for carrying over a "bull" transaction to the next Settlement. There is said to be a "contango" or "continuation" on securities when they are dearer for the Account than for Money. (See par. 43.)

Contango Day.—The first day of the Settlement.

Continuation.—This term means deferring the purchase or delivery of securities to the next Account.

Continuation Rates.—The rates (Contango and Backwardation) charged for carrying over bargains to the next Account. (See par. 81.)

Coras.—The Deferred Divided Ordinary Stock of the Caledonian Railway.

Corner.—"Bears" are said to be cornered

when they cannot obtain the securities they have sold, or can only obtain them from the persons they have sold to, and these latter demand delivery. A corner is usually the outcome of a large " oversold " account.

Coupon.—An interest warrant attached to transferable bonds and shares. The word coupon means a cutting, and as the dividends fall due the forms are cut off and presented for payment.

Coupon Sheet.—A connected series of coupons given in advance with transferable bonds, in order that they may be cut off and presented for payment as the dividends fall due.

Cover.—A deposit of money or marketable securities given to a broker by his clients in order to limit their liability, and protect the broker against loss in some speculative transaction on their account. (See par. 63.)

Cum Dividend, or Cum Div.—With the dividend, due or accruing.

Cum Drawing.—With any benefits that may arise from a drawing about to take place.

Cum New.—With the right to claim any new Shares or new issues of Stock about to be issued in virtue of present holdings. Some companies, when increasing their capital, offer a number of

new Shares to the existing proprietors, and, if the company is a prosperous one, such new issues invariably command a premium in the market. When, therefore, the *original* shares are sold with the right to claim the new issue, they are quoted "Cum New"; and when without this right, "Ex New."

Cumulative Preference Stocks and Shares.—Shares upon which, if the guaranteed dividend cannot be paid in any one year, or any series of years, the dividend *accumulates* until it can be paid; and such accumulated dividend is entitled to payment before any dividend is paid either on the Preference or Ordinary Shares in any succeeding year, the revenue for any year being first applied to payment of dividend for the current year, and then to payment of the arrears, commencing with those for the nearest years.

Dealer.—A person who deals on his own account, and takes the risk of a market going against him—a Stock and Share merchant, so to speak.

Deb.—Debenture.

Debenture.—A certificate for a loan to railway and other public companies, having a lien on the real property, and carrying a first charge on all

the undertakings and assets of the concern, and therefore being entitled to the payment of its interest before all other share capital. They may or may not have the power of foreclosure in the event of default ; this, of course, depends upon the power granted at the time of issue.

Debenture Bonds are usually redeemable at the end of a specified time.

Debenture Stock is usually irredeemable, and transferred by deed of assignment.

Def.—Deferred.

Deferred or "A" Stock.—As relating to railways, this usually forms part of the Ordinary Stock, and is not entitled to any dividend until a fixed rate has been paid on the Preferred or "B" Stock.

Dinahs.—The Ordinary Stock of the Edinburgh and Glasgow Railway.

Dis.—Discount.

Discount.—When securities are at a lower price than that at which they were originally issued they are said to be "At a discount," or below par.

Districts.—The Ordinary Stock of the Metropolitan District Railway.

Div.—Dividend.

Dividend.—A periodical distribution of the profits among the shareholders of public companies.

Doras.—The Deferred Ordinary Stock of the South Eastern Railway. This Stock is also called "Dover A."

Dovers.—The Ordinary Stock of the South Eastern Railway.

Dover A.—The same as "Doras."

Easterns.—The Ordinary Stock of the Great Eastern Railway.

Enfaced Paper.—Rupee paper when it bears a notification that the interest can be collected by presenting the notes at the Bank of England.

Eries.—The Shares of the New York, Lake Erie, and Western Railroad Company.

Even.—When securities are carried over "at even," it means that there is neither Contango nor Backwardation to pay.

Ex all.—Without dividend, bonus, or return of capital, and exclusive of the right to claim any new Stocks or Shares about to be issued.

Exchange Operations means giving the "Call" of securities and taking a "Put" against it, or *vice versâ*.

Ex Coupon, or X. C.—Without the interest coupon.

E. D.—Ex dividend.

Ex Dividend, or X. D.—Without the dividend, due or accruing.

Ex Drawing.—Without any benefits that may arise from a drawing about to take place.

Ex Interest, or Ex Int.—Without the interest, due or accruing.

Ex New.—Without the right to claim any new Stocks or Shares about to be issued in virtue of present holdings. (See "Cum New.")

Face Value.—The face value of Bonds, Stocks, Shares, Certificates, &c., means the value printed on their face—the amount they are issued for.

Floras.—The Preferred Ordinary Stock of the Caledonian Railway.

Founders' Shares.—Shares granted to the founders of a company in consideration of their having floated the concern. They take a profit according to agreement at the time of issue.

Goschens.—The two and three-quarter per cent. Consols.

Give on.—To pay Contango.

Gov.—Government.

Guaranteed Stocks.—Stocks upon which the

interest, or principal and interest, are guaranteed. Sometimes the interest is guaranteed by another company—as in the case of a railway company having running powers over another line—and when the interest cannot be paid by the company itself, it must be paid by the company who guarantees it.

Haddocks.—The Ordinary Stock of the Great North of Scotland Railway.

Hammered.—When a member of the Stock Exchange is unable to meet his engagements, the head waiter strikes three blows with a mallet upon the side of a rostrum of the House, and briefly announces the member's default. A defaulter is thus said to be "Hammered." (See par. 19.)

House. — A familiar term for the Stock Exchange.

Inscribed Stock.—Stock for which no Certificate is granted, but the holder's name and the amount of his holding are registered in a book kept for that purpose. (See par. 111.)

Interest Warrant.—An order for the payment of interest or dividend due on Stocks or Shares.

Interim Dividend.—A provisional distribution

made before the actual dividend is due, or before the whole of the profits to be divided is ascertained.

Jagers.—Jagersfontein.

Jobber.—A Stock dealer who carries on business with the public and with other jobbers through the medium of Stock brokers. (See par. 11.)

Knackers.—The Shares of Messrs. Harrison, Barber & Co., Limited, horse slaughterers.

Lame Duck.—A defaulter who, being unable to pay his differences, or meet the claims made upon him, is "hammered" and expelled from the "House." (See par. 19.)

Leeds.—The Ordinary Stock of the Lancashire and Yorkshire Railway.

Limit.—A fixed price given by a client to his broker for the purchase or sale of securities.

Lombard Obs.—The obligations (Preference Shares) of the South Austrian and Lombardo-Venetian Railway.

Lombards.—The Ordinary Shares of the South Austrian and Lombardo-Venetian Railway.

Long.—An American term equivalent to the market expression "Bull." Instead of calling a

person who holds Stock for a rise a "bull," the Americans say he is "Long of Stock."

Mails.—Mexican Railway Stock.

Making-up Day.—The *second* day of the Settlement.

Making-up Price.—The price (fixed by the Stock Exchange Committee) at which securities carried over are temporarily closed for the current Settlement, and re-opened for the next Account. (See par. 79.)

Margin.—As referring to operations under the "cover" system, the extreme point a price must touch before the "cover" is exhausted. The word is sometimes used for "cover." It also means a discretion of so much per cent., or so much per share, allowed to work upon, over a named price, should it not be possible to do business at the price fixed.

Marking.—Recording the prices at which actual business has been done in any security. (See par. 34.)

Masons.—The Shares of Mason & Barry, Limited.

Mets.—The Ordinary Stock of the Metropolitan Railway.

Middle Price.—The central price between those at which a dealer offers to buy or sell.

Mids.—The Ordinary Stock of the Midland Railway.

Name Day.—The *second* day of the Settlement.

N/C.—New account.

Nominal Price.—A price given as the nearest market value of securities but little dealt in, it being understood that the price exists in name only, and that business might or might not be done at it.

Noras.—The Deferred Ordinary Stock of the Great Northern Railway.

Obs.—Obligations.

Obligations.—A name given to Bonds or Shares of some foreign railway companies.

Official List.—The official list of the prices and dealings in Stocks and Shares issued under the authority of the Stock Exchange Committee. (See par. 39.)

Options.—A mode of speculating whereby a person pays down so much per cent. (or so much per Share) for the option to buy or sell so much Stock (or so many Shares) at a fixed price on a certain day, thus limiting his liability or possible loss to a fixed amount. (See par. 47.)

Oranges.—The Shares of the Orange Free State Exploration Company.

Ordinary Stock.—A Stock which ranks last in taking a share of the profits, it not being entitled to any dividend until all other preferential interests have been satisfied. Some railway companies have divided their Ordinary Stock into two parts, called "*Preferred*" and "*Deferred*" Stock, thus making a further distinction in distributing profits, the "Deferred" half not receiving any dividend until a fixed rate has been paid on the "Preferred" Stock. The latter is also known as "B" Stock; the former as "A" Stock.

Outside Brokers.—A name given to stockbrokers who are not members of the Stock Exchange.

Paid-up Share.—A Share upon which the whole amount to be paid has been paid up. (See Scrip.)

Par.—Either the nominal value of securities, or the exact amount that has been paid for them. When the price of Stocks and Shares is *higher* than that originally paid for them, they are said to be *above* par (or at a premium), and when the price asked is *lower* than that origi-

nally paid they are said to be *below* par (or at a discount).

Passing a Name means giving the name of the actual purchaser at the Settlement.

Pay Day.—The *last* day of the Settlement, when Stocks and Shares are taken up and paid for, or the differences paid and received. Sometimes called "Settling Day."

Penns.—The Shares of the Pennsylvania Railway.

P/m.—Put of more.

Ports.—The Bonds of the Portuguese Loan.

Pots.—The Ordinary Stock of the North Staffordshire Railway.

Power of Attorney.—A legal document authorising a person to sign and act for another. (See par. 124.)

Pref.—Preference or Preferred.

Preference Stocks and Shares.—These rank before the Ordinary Stocks or Shares, and either carry a fixed rate of interest, or are entitled to dividends which are contingent on the profits made during a certain period, as agreed upon at the time they are issued. First, Second, and Third Preference Shares are sometimes created, when they rank for dividend in their numerical order.

Preferred Stock (sometimes called " B " Stock). —This usually forms part of the Ordinary Stock, and is entitled to a fixed rate of dividend before anything is paid on the Deferred or " A " Stock.

Premium.—When the market value of securities is above the price at which they were originally issued, they are said to be " At a premium." (See " Par.")

Privileges.—The American term for options.

Put.—A mode of speculating whereby a person limits his liability by paying down so much per cent. (or so much per Share) for the option of putting (delivering) so much Stock (or so many Shares) at a fixed price on a certain day. (See par. 54.)

Put and Call.—The double option of being able to buy or sell according to which transaction will yield a profit. (See par. 57.)

Put of More.—The right to put a *certain* amount of Stock with the *option* of doubling the quantity. (See par. 59.)

Registered Stocks and Shares.—These are Stocks and Shares which are registered in the holder's name, either at a Bank or a company's office, where the securities were issued. Although

a certificate of title is granted, transfers can only be made by deed of assignment. (See par. 92.)

Rig.—To "rig" a market means forcing up the price of any security without regard to its real value. This is usually accomplished by secretly buying up such a quantity of any security as will produce an artificial scarcity, until the price is enhanced far above the real value of the security, thus enabling the "Riggers" to re-sell their holdings at a forced profit.

Ring.—A "ring" is a combination of capitalists, formed for the purpose of manipulating certain securities which they consider are far below their real value.

Rupee Paper.—The Promissory Notes of the Indian Government, these being exchangable for so many rupees.

Saras.—The Deferred Stock of the Manchester, Sheffield, and Lincoln Railway.

Scp.—Scrip.

Scrip.—A certificate for instalments of money paid on Shares in some public company, or on account of a Government loan, when the whole amount to be paid has not been called up. Or a preliminary certificate for a fully paid-up Share,

when the whole of the money has been paid previous to the registration of subscribers.

Selling out.—According to the Stock Exchange rules, if the purchaser has not taken up his securities from the seller on the due date, the latter can sell out against him, and the defaulting buyer is liable for all expenses the seller may be put to in consequence of such non-fulfilment of contract. (See par. 103.)

Settlement.—The fortnightly period at which securities are taken up and paid for, or carried over, and the differences paid and received. (See par. 72.)

Settling Day.—The last day of the Settlement. Sometimes called "Pay Day."

Shores.—The Shares of the Lake Shore and Michigan Southern Railway.

Short of Stock.—An American term equivalent to the word "bear," speculators on the other side of the water who have sold stocks which they do not possess, being usually termed "Short of Stock."

Shr.—Share.

Shut for Dividend.—An expression used when the transfer books are closed to permit of the dividend warrants being prepared and issued.

Souths.—The Stock of the London and South Western Railway.

Special Settlement.—Special days fixed by the Stock Exchange Committee for the settlement of Foreign Loans, New issues of Stocks, &c. (See par. 77.)

Spread.—An American term for a "Put and Call" when the price at which the Stock can be "put" is higher or lower than the price at which it can be called, or *vice versâ.*

Stag.—An expression used for a person who applies for Shares in any new company with the sole object of selling as soon as a premium is obtainable, and never intending to hold or even fully subscribe for the Shares.

Stk.—Stock.

Stock is usually part of a consolidated fund; it differs from Shares and Bonds in that it can be purchased or sold to *any* amount.

Stock Broker.—The *middle* man between the jobber and the public. (See par. 9.)

Straddle.—This is also an American term for a "Put and Call," but used when the price is the same whether the Stock is "put" or "called."

Sworn Brokers.—Brokers who have sworn to faithfully carry out their duty. (See par. 10.)

Take in.—To receive backwardation.

Talon.—A certificate attached to transferable Bonds (usually the last portion of the coupon sheet), to be exchanged for an additional series of coupons as soon as those on the coupon sheet have all been presented and paid.

Tape Prices.—The Stock Exchange quotations as recorded on the "tape" of the Exchange Telegraph Company's instruments. (See par. 37.)

Ticket Day.—The *second* day of the Settlement.

Time Bargains.—A term applied to dealings when Stocks or Shares are sold for future delivery by speculators who do not possess them, or where purchases are similarly made by parties who are unable to pay for them, the operators in either case expecting to buy or sell again at a profit before the Settlement arrives. (See par. 42.)

Tintos.—Rio Tinto Shares.

Transfer.—A legal document used for transferring Registered Stocks and Shares from one person to another. (See par. 93.)

Turn.—The Jobber's "turn" is the difference between his buying and selling prices. If, therefore, he quoted shares 6s.–8s. (that is he would

buy at six or sell at eight) his "turn" would be 1s. a share. (See par. 33.)

Unions.—The Shares of the Union Pacific Railway.

Vendors' Shares.—Shares taken instead of cash by parties who convert their business into a public company. They take a profit as agreed upon at the time of issue.

Vestas.—The Deferred Stock of the Railway Investment Company.

Virgins.—Virginia New Funded.

Westerns.—The Ordinary Stock of the Great Western Railway.

X. C.—Ex Coupon.

X. D.—Ex Dividend.

X. New.—Ex New.

York "A."—The Deferred Ordinary Stock of the Great Northern Railway.

Yorks.—The Ordinary Stock of the Great Northern Railway.

Zouts.—The Shares of the Central African and Zoutpansberg Exploration Company, Limited.

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